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Changes in the Living Arrangements of the Elderly: 1960-2030

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A SPECIAL STUDY

CHANGES IN THE LIVING ARRANGEMENTS OF THE ELDERLY: 1960-2030

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PREFACE

In response to a request from the Senate Budget Committee, this study examines how the living arrangements of the elderly have changed since 1960, how they may continue to evolve between now and the year 2030, and the factors underlying those changes. A final section examines some new approaches the Congress might wish to consider in addressing problems that may confront older Americans as a result of their living patterns.

This study was prepared primarily by Miriam L. King, formerly an intern with the Congressional Budget Office's Human Resources and Community Development (HRCD) Division, under the direction of Nancy M. Gordon and Martin D. Levine. Roberton C. Williams of HRCD wrote the final chapter, and both he and Gina C. Adams made significant contributions to the entire paper. Data analysis was provided by Theresa Daily with assistance from Roald Euller. Other CBO analysts who provided helpful comments include Dorothy Amey, Stephen H. Long, Ralph Smith, and Jenifer Wishart. G. Lawrence Atkins, Alan Cohen, Ann Miller, Marilyn Moon, Mary Polasik, Virginia Reno, and Susan Watkins read earlier drafts of the study and offered useful suggestions. The study was edited by Francis S. Pierce. The many drafts were typed by Norma A. Leake, and the paper was prepared for publication by Kathryn Quattrone.

In accordance with CBO's mandate to provide objective and impartial analysis, this paper contains no recommendations.

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Acting Director

March 1988

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SUMMARY

America's elderly population has grown rapidly over the past several decades. Even more rapid has been the increase in elderly people who live alone or with only their spouses. The numbers of the elderly will continue to grow rapidly in the next 45 years, particularly after the year 2010 when the baby boom generation reaches retirement age, and the proportion of older people living independently will probably also continue to rise.[1] These trends pose important questions for many aspects of federal policy toward the elderly.

This study investigates the changes that have occurred in the household structure of the elderly from 1960 to 1984, offers projections of household structure between now and 2030, and examines the relationship between the living arrangements of the elderly and their well-being. It concludes with a discussion of the federal government's role in assisting elderly people who live alone and need help in maintaining themselves.

TRENDS IN THE LIVING ARRANGEMENTS OF THE ELDERLY

The changes in the living arrangements of noninstitutionalized people age 65 and over can be summarized in a few statistics. In 1960, almost one-fifth of the elderly lived alone; in 1984, nearly one-third did so. The proportion of the elderly living with their spouses has remained about the same since 1960, but while 29 percent of this group shared housing with *other* persons in addition to their spouses in 1960, only 16 percent did so in 1984. And the proportion of the elderly residing with their adult children or other extended family members has fallen from approximately 40 percent to about 22 percent in that period of time.

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[1] The population age 65 and older numbered 12.4 million in 1950 and had more than doubled by 1980, reaching 25.7 million. Projections by the Social Security Administration suggest that America's elderly population will number between 64 million and 74 million in 2030.

While independent living has long been preferred by the elderly, higher personal incomes have only recently placed separate residence within reach of most people 65 and over. A decline in the number of children who could potentially share housing, and the desire for privacy among the general adult population, have also encouraged the shift away from extended family living. This shift has come about despite demographic trends that exert pressure in the other direction, such as the aging of the elderly population and the related deterioration in their average health. Overall, increases in the proportion of elderly people living independently, rather than in extended family households, would have been even greater if their demographic composition and health status had undergone no change.2/

Independent living is likely to become increasingly prevalent over the next half century and beyond, in part because elderly people are expected to attain higher incomes and therefore face fewer financial constraints. After the turn of the century, a decline in the average number of children per family will make it less feasible for the elderly to live with their younger relatives. And even if residence choices remain unchanged, growth of the population 65 and over virtually guarantees a doubling of the number of elderly people who live alone or only with their spouses by 2030.

Most of the elderly who choose independent residence appear to do so freely; separate residence is both the most commonly preferred living arrangement and a means by which they avoid tension and ill-feeling in their family relations. For a minority, however, independent residence is dictated by the absence of close relatives willing or able to share living quarters.

Separation from relatives may be burdensome to some elderly people, however, particularly those with low personal incomes or functional disabilities. Solitary householders have higher poverty rates, receive less financial assistance from their relatives, and often face higher living expenses than do their counterparts in extended family households. Frail and disabled people who live alone appar-

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2. In this paper, the category of elderly people living in extended family households includes those residing with any relatives except their spouses. Residence with children is counted as extended family living, because most children leave their household of origin before their parents reach 65.

ently receive less frequent assistance and are more likely to be institutionalized in the future than those who live with their spouses.

In coming decades, higher personal incomes are expected to ease the lot of many elderly people living alone. Successive cohorts, for example, are likely to enjoy higher private and public pension benefits. Nonetheless, a segment of the elderly population will continue to have inadequate incomes; given patterns of poverty among the elderly in recent decades, this group is particularly likely to include very old women who live alone. Moreover, the number of frail or disabled people who live alone is expected to increase markedly over the next 45 years as the elderly population grows and ages.

POLICY CHOICES

The expected increase in the number of elderly people living independently is an issue of budgetary concern for two reasons. First, it could increase the potential demand for means-tested benefits by those with low incomes and for formal home care services by those unable to care for themselves. More broadly, a shift toward independent living among the elderly could make even those with good health and moderate incomes more dependent on formal health care and service programs that are at least partially funded by the federal government.

What should be the role of government? To the extent that living arrangements reflect individual choice, government intervention may be unwarranted. On the other hand, it may be justified in the cases of elderly people forced to live alone for lack of an alternative, or faced with material hardship or institutionalization. One drawback to increased public assistance for the elderly who live alone is that it could encourage people to leave extended family residence and substitute formal services for existing informal aid--thus raising costs without commensurate increases in well-being.

If deemed appropriate, two general approaches could be used to assist the elderly--raising incomes and expanding services. The first approach would supplement the incomes of the poor and near-poor. The second approach would focus on home care services. In either case, attention would have to be given to issues of targeting and program design.

Increasing Incomes

The Congress could encourage increases in private income for the elderly without relying on direct federal spending by, for example, extending pension coverage and making it easier for the elderly to gain access to their assets held in the form of real estate. Requiring pension coverage in firms with some minimum number of employees, or shortening the tenure required to be eligible for benefits, would expand the number of pension recipients. These policies could, however, raise labor costs to employers. Expanded coverage of private pensions would also increase the amount of federal revenues forgone as a result of the favorable tax treatment that is granted to accumulations in qualified retirement programs.

Encouraging the adoption of reverse annuity mortgages would allow the elderly to use the equity they have in their homes and at the same time to go on living in them. Such arrangements would benefit few of the poorest, however, and might require some sort of risk-pooling mechanism for lenders.

Resources of the low-income elderly could also be increased through cash or in-kind transfers, either by expanding existing programs or by creating a new program focused on the specific needs of those who live independently. The costs would depend on benefit levels and the targeting of aid.

Increasing Services

Several different programs--both public and private--could generate more home care services for the disabled elderly. Among them are home care insurance, subsidization of home care services, and tax incentives or direct payments for family members who assist elderly relatives. These options could improve the well-being of those who are unable to call upon other household members for help with daily activities, and would delay their entry into nursing homes and other institutions. On the other hand, depending on the degree of subsidization and the degree to which paid care was substituted for unpaid care, government expenditures could be high, although some of the cost could be recouped through claims on the estates of recipients. Monitoring the need, receipt, and quality of care could be difficult, however, and some of these policies--such as tax incentives for family members who assist elderly relatives--would not reach the low-income population or those who lack relatives.

CHAPTER I

THE LIVING ARRANGEMENTS OF THE ELDERLY, 1960-1984

Over the past two and a half decades, America's elderly have chosen increasingly to live alone or only with their spouses. The marked shift away from extended family living has affected men and women from all age groups 65 and over, who are now much more likely to live by themselves or only with their spouses.

This paper addresses two main questions. First, how quickly will the number of elderly grow between now and 2030 and how are their living arrangements likely to change? Some information is also provided about possible changes in the elderly's economic and health status. Second, how might government help the low-income elderly who will have few, or perhaps no, relatives to provide assistance in the form of services or money?

More specifically, the first chapter examines changes in the household structure of the older population between 1960 and 1984 and analyzes factors that have contributed to shifts in living arrangements. Chapter II discusses how these factors may affect future residence choices and projects the number and percent of the elderly who would be found in each household type up to 2030 under alternative residence decisions and demographic conditions. Chapter III considers the past and future impact of independent residence on the economic and physical well-being of elderly people who have low incomes and need help in caring for themselves. Readers primarily interested in policy questions may wish to turn to the concluding chapter, which explores issues involved in targeting aid toward the elderly living alone, and presents some possible policy approaches.

CHANGES IN THE LIVING ARRANGEMENTS OF THE ELDERLY, 1960-1984

Between 1960 and 1984, two shifts took place in the living arrangements of the elderly, noninstitutionalized population:

- The proportion of unmarried people residing alone rose sharply, while the proportion living with relatives or with unrelated people correspondingly fell;

- Married people increasingly resided only with their spouses.

These two groups--unmarried people living alone and couples living only with their spouses--are defined in this paper as living independently.1/

Comparing the distribution of living arrangements in 1960 and 1984 indicates the magnitude of these changes (see Figure 1).2/ At the beginning of the 1960s, about 45 percent of the noninstitutionalized population 65 and over lived in households containing relatives other than their spouses or with unrelated people. By 1984, this percentage had been cut almost in half, falling to 24 percent. This decline in coresidence was matched by an increase in the proportion of elderly people living alone, from 19 percent in 1960 to 31 percent in 1984, and by a gain in the proportion living only with their spouses, from 37 percent to 45 percent.

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1. Some elderly who live independently receive assistance--such as prepared meals or domestic services--from others.

2. The breakdown of household types used throughout this study is as follows. "Alone" refers to solitary householders; "with relatives" means residence with people other than a spouse who are related to the elderly individual by blood, adoption, or marriage; "with unrelated others" indicates residence only with people who are not related to the elderly individual; "with spouse only" refers to residence with no one except husband or wife; "with spouse and others" implies residence with a spouse and either related or unrelated others.

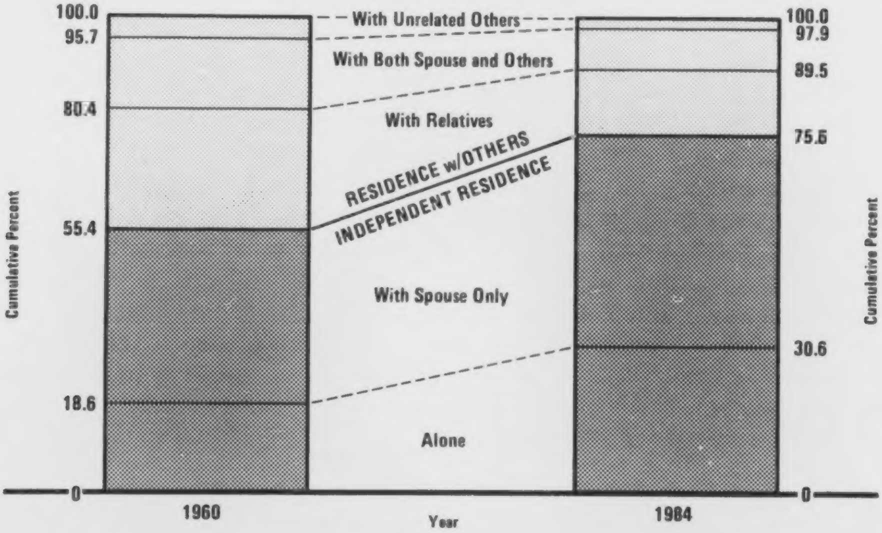
   The total number of people 65 and over living with extended family members (relatives other than a spouse) is approximated in this work by summing the numbers living "with relatives" and living "with both spouse and others." This slightly overestimates the number of elderly in extended family households, because some who live with both their spouses and others share housing with unrelated people. In 1980, about one-fifth of the elderly living with both their spouses and others resided with additional household members who were not related to them, rather than with relatives.

The majority of this growth in independent living occurred between 1960 and 1970. The remainder occurred by 1980 for the unmarried elderly, but growth in independent living continued at least until 1984 among elderly couples age 70 and older.

In contrast, the proportion of the elderly living with their spouses changed little between 1960 and 1984, but the proportion of elderly

Figure 1.

Distribution of the Elderly by Living Arrangements, 1960 and 1984



SOURCE: Congressional Budget Office, from the 1:1000 Public Use Sample of the 1960 Census and the March 1984 Current Population Survey.

NOTE: Specific living arrangements are defined from the perspective of the elderly person, as follows. "Alone" refers to residence in a one-person household. "With relatives" means residence with persons other than a spouse who are related to the elderly person by blood, marriage, or adoption. "With unrelated others" indicates residence only with persons who are not related to the elderly individual. "With spouse only" encompasses residence only with a husband or wife. "With both spouse and others" implies residence with a spouse as well as additional household member(s) who may be either related or unrelated to the elderly person.

Percentages refer to the proportion of the elderly population in a given living arrangement. Throughout this paper, measurement is by elderly individuals, rather than by couples or households.

couples living with additional people declined markedly. In both 1960 and 1984, just over half of people age 65 and over were living with their marriage partners. Within this subgroup, the proportion residing with others in addition to their spouses has dropped from 29 percent to 16 percent over the past quarter century.

Today, as in the past, women are far more likely than men to live alone, because they are less likely to be married and more likely to live to advanced ages and, therefore, to outlive their spouses. In 1984, women accounted for 80 percent of all elderly people living alone, while they comprised 59 percent of the total noninstitutionalized elderly population.

The proportion of the elderly population found in nursing homes and other institutions rose from 3.8 percent in 1960 to 5.3 percent in 1980, to total 1.3 million people in the latter year. Almost half of the increase can be attributed to demographic change--especially the aging of the elderly population--but institutionalization rates have also risen within specific age, sex, and marital-status groups. The introduction of Medicaid funding for nursing home care probably caused much of the additional growth.3/ Because further policy changes or other factors that might expand or contract the older institutionalized population cannot be predicted in advance, projections of living arrangements included in this study assume the same institutionalization rates for age-sex-marital status groups in future years as were observed in 1980.4/ This work concentrates on the living arrangements and well-being of the elderly in the community rather than the institutionalized older population.

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3. Another factor that may have increased institutionalization rates over the past quarter century was the increase in the proportion of disabled elderly living alone, because this group appears to have higher institutionalization rates than do those living with relatives. Increases in the personal incomes of the aged, which make the purchase of home health care more feasible, and deinstitutionalization policies of state mental hospitals, may have worked against growth in the elderly institutionalized population.

4. Future institutionalization rates will depend upon many factors, including the health status of the elderly, the supply of beds and state and federal funding for long-term care, the availability of informal support from family members, and the resources that the elderly can direct toward the purchase of alternative care. Because the extent and net effect of change in these areas are difficult to predict 45 years into the future, the assumption of stability in institutionalization rates for demographic subgroups was deemed most appropriate. Possible increases in the institutionalized population deriving from changes in the living arrangements of the elderly in the community, and general approaches for dealing with such increases, are touched upon in Chapter IV. A forthcoming CBO study discusses the demand for--and cost of--long-term care, and policy options for providing such care.

Most of the change in the living arrangements of the noninstitutionalized elderly cannot be accounted for simply by demographic shifts.5/ Rather, the move into independent households has involved both unmarried and married men and women in every group age 65 and over (see Figures 2 and 3 and Tables 1 and 2). For example, the proportion of unmarried women who lived alone rose from 43 percent in 1960 to 67 percent in 1984 for those age 65-69 and from 28 percent to 61 percent for those 80 and older.6/ Solitary residence became more predominant among unmarried elderly men as well; the proportion in this living arrangement increased from 44 percent to 62 percent for unmarried men age 65-69 and from 30 percent to 59 percent for unmarried men 80 and older. Over the same period, independent residence for the married--that is, residence with only a spouse--increased substantially among both the "young old" and the "old old."

Although the general move into independent households is the most striking feature of time-series data on the living arrangements of the elderly, the snapshot views of household structure shown in Tables 1 and 2 also provide evidence of some relatively stable age and sex differences in the living arrangements of the elderly. Notable among these durable age and sex differences are the following:

- Independent residence declines somewhat upon entry into the oldest age groups, with the proportion of unmarried individuals residing alone falling after age 79 (see Figures 2 and 3). Similarly, among the married elderly, residence with their spouses only generally rises after ages 65-69--presumably as late-born children set up their own households--and falls again after age 80.

- The probability of solitary residence is somewhat higher among unmarried elderly women than among comparable men. Furthermore, among unmarried people not living alone, women are generally more likely to live with relatives and less likely to live with unrelated people than are men in the same age group.

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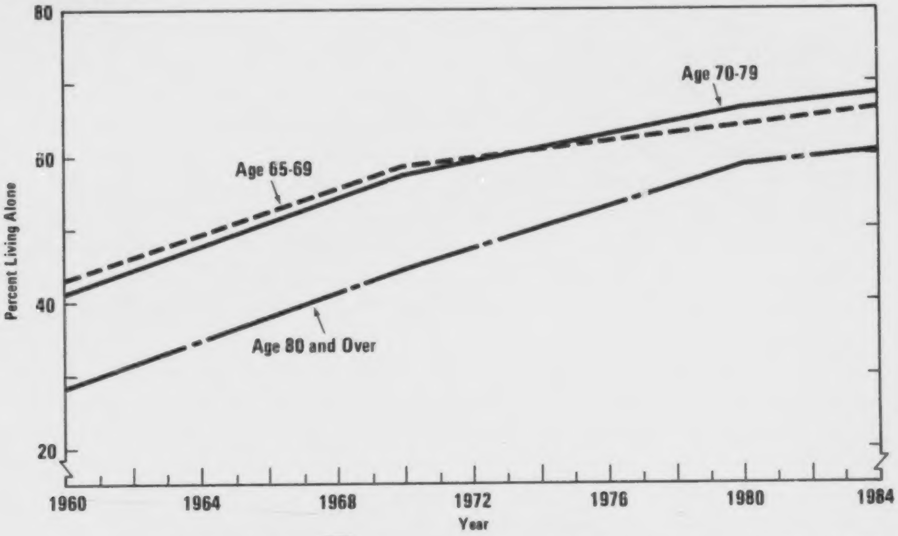
5. Hereafter, terms such as "the elderly" and "the population age 65 and older" will refer to noninstitutionalized people unless otherwise specified.

6. Unless otherwise specified, in this paper the term "unmarried" refers to people who are single, widowed, divorced, or separated.

Figure 2.
Unmarried Elderly Living Alone, by Age Group, 1960-1984
(In percent)



SOURCE: Congressional Budget Office, from the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey.

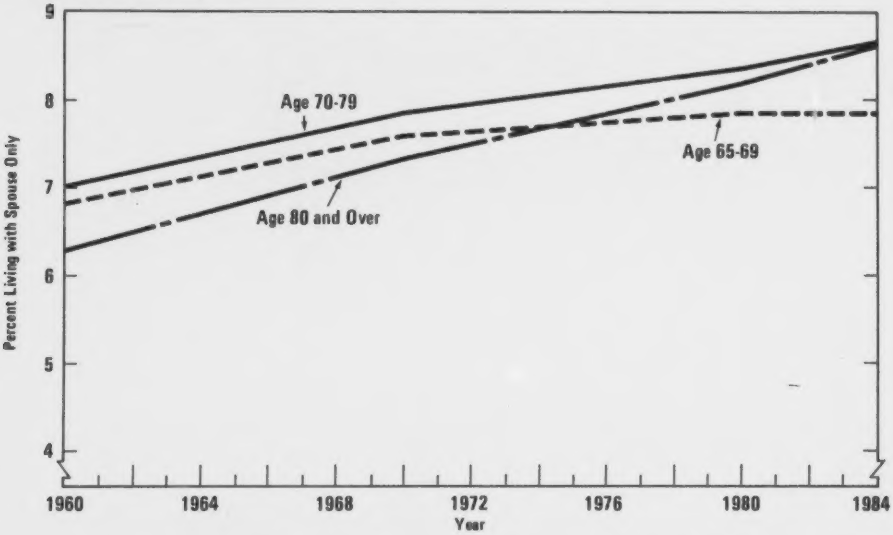
- Although the vast majority of married people reside with their husbands or wives, the proportion residing apart from their spouses tends to rise after age 80, especially for married women. This separation of spouses among the very old probably reflects the institutionalization of one marriage partner.

FACTORS ENCOURAGING SHIFTS IN HOUSEHOLD STRUCTURE

Several factors determine which living arrangement a person selects: individual preference; economic resources; demographic factors, such as the presence or absence of a spouse or child who wishes to share housing; and physical capacity to maintain an independent household.

Figure 3.

Married Elderly Living with Only Their Spouses, by Age Group, 1960-1984 (In percent)



SOURCE: Congressional Budget Office, from the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey.

The interplay of these same factors determines the distribution of household types within the general population. The remainder of this chapter assesses how each factor contributed to changes in the living arrangements of the noninstitutionalized elderly over the past quarter century. The primary findings are as follows:

- According to survey data, most elderly people have long preferred independent residence over extended family living. Since this has been so at least since the late 1950s, the recent shifts in living arrangements cannot be explained by attitudinal change among the elderly.

- Increases in real income have placed independent residence within the reach of more elderly people, and those with the highest personal incomes have been most likely to adopt it.

TABLE 1. ELDERLY MEN IN VARIOUS LIVING ARRANGEMENTS BY AGE AND MARITAL STATUS, 1960-1984 (In percent)

Living Arrangements a/	1960	1970	1980	1984
	Age 65-69			
Noninstitutionalized				
Unmarried				
Alone	43.8	59.1	63.6	62.3
With relatives	38.2	31.6	29.5	30.1
With unrelated others	18.1	9.3	6.9	7.6
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	65.7	72.7	75.1	75.1
With both spouse and others	32.3	25.3	24.4	24.0
Other b/	2.1	2.0	0.5	0.9
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	2,717	3,104	3,805	4,009
Number Institutionalized (In thousands)	59	55	56	n.a.
	Age 70-74			
Noninstitutionalized				
Unmarried				
Alone	41.1	54.6	65.1	59.0
With relatives	46.7	31.8	30.3	27.1
With unrelated others	12.2	13.6	4.6	13.9
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	70.6	78.0	81.9	84.0
With both spouse and others	27.3	19.7	17.3	15.5
Other b/	2.1	2.3	0.8	0.4
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	2,120	2,250	2,805	3,057
Number Institutionalized (In thousands)	57	57	64	n.a.

SOURCE: Percentages of noninstitutionalized elderly in specific living arrangements and total noninstitutionalized elderly tabulated by the Congressional Budget Office from the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey. Number of institutionalized elderly taken from U.S. Bureau of the Census, *United States Census of Population: 1960, Inmates of Institutions*, PC(2)-8A (1963), p. 3; 1970 *Census of Population, Persons in Institutions and Other Group Quarters*, PC(2)-4E (1973), p. 2; 1980 *Census of Population, Persons in Institutions and Other Group Quarters*, PC80-2-4D (1984), p. 2.

NOTE: Percentages may not sum to 100 because of rounding.
n.a. = not available.

(Continued)

TABLE 1. Continued

Living Arrangements a/	1960	1970	1980	1984
Age 75-79				
Noninstitutionalized				
Unmarried				
Alone	41.2	58.9	64.7	65.7
With relatives	46.8	32.7	29.9	24.3
With unrelated others	12.0	8.4	5.4	10.0
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	68.4	77.8	83.3	86.8
With both spouse and others	29.2	19.1	16.1	11.1
Other b/	2.4	3.1	0.6	2.1
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	1,281	1,540	1,683	1,883
Number Institutionalized (In thousands)	52	65	72	n.a.
Age 80 and Over				
Noninstitutionalized				
Unmarried				
Alone	29.6	49.4	59.9	58.8
With relatives	59.0	42.5	38.3	33.5
With unrelated others	11.4	8.1	1.9	7.7
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	62.9	74.8	82.6	86.3
With both spouse and others	33.3	22.0	15.5	10.9
Other b/	3.8	3.1	1.9	2.8
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	835	1,240	1,477	1,798
Number Institutionalized (In thousands)	79	136	182	n.a.

a. In the classification of living arrangements used here, "with relatives" refers to residence with people other than a spouse who are related to the elderly person by blood, adoption, or marriage; "with unrelated others" refers to residence only with people who are not related to the elderly person; "with spouse only" refers to residence only with a husband or wife; "with both spouse and others" refers to residence with a spouse and either related or unrelated others; and "other" refers to residence alone, with relatives, or with unrelated others, for people who are married but not living with their spouses. In every category, numbers refer to people age 65 or older, not to households or couples. References to these specific living arrangements in subsequent tables imply the same definitions of residence types given here.

b. Married, spouse not present in the household.

TABLE 2. ELDERLY WOMEN IN VARIOUS LIVING ARRANGEMENTS BY AGE AND MARITAL STATUS, 1960-1984 (In percent)

Living Arrangements a/	1960	1970	1980	1984
Age 65-69				
Noninstitutionalized				
Unmarried				
Alone	42.9	58.2	63.8	67.4
With relatives	49.3	36.3	34.2	29.2
With unrelated others	7.8	5.5	2.0	3.3
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	71.9	80.3	82.9	82.2
With both spouse and others	26.0	17.5	16.4	16.7
Other b/	2.0	2.2	0.7	1.1
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	3,207	3,832	4,881	4,960
Number Institutionalized (In thousands)	53	61	65	n.a.
Age 70-74				
Noninstitutionalized				
Unmarried				
Alone	43.2	57.7	69.2	70.0
With relatives	50.1	36.5	29.3	26.6
With unrelated others	6.7	5.8	1.5	3.4
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	71.5	80.2	85.2	88.4
With both spouse and others	25.1	17.0	13.7	10.0
Other b/	3.3	2.8	1.1	1.6
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	2,384	3,042	3,880	4,212
Number Institutionalized (In thousands)	69	89	104	n.a.

SOURCE: Percentages of noninstitutionalized elderly in specific living arrangements and total noninstitutionalized elderly tabulated by the Congressional Budget Office from the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey. Number of institutionalized elderly taken from U.S. Bureau of the Census, *United States Census of Population: 1960, Inmates of Institutions*, PC(2)-8A (1963), p. 3; *1970 Census of Population, Persons in Institutions and Other Group Quarters*, PC(2)-4E (1973), p. 2; *1980 Census of Population, Persons in Institutions and Other Group Quarters*, PC80-2-4D (1984), p. 2.

(Continued)

TABLE 2. Continued

Living Arrangements a/	1960	1970	1980	1984
Age 75-79				
Noninstitutionalized				
Unmarried				
Alone	38.6	57.2	64.1	70.4
With relatives	54.7	38.8	34.2	27.5
With unrelated others	6.7	4.0	1.7	2.0
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	68.3	79.0	86.4	89.4
With both spouse and others	28.7	18.0	12.4	8.2
Other b/	3.0	3.0	1.2	2.4
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	1,569	2,155	2,782	3,117
Number Institutionalized (In thousands)	82	134	167	n.a.
Age 80 and Over				
Noninstitutionalized				
Unmarried				
Alone	27.7	42.8	58.2	60.9
With relatives	64.8	53.1	40.4	35.4
With unrelated others	7.5	4.1	1.4	3.6
Total	100.0	100.0	100.0	100.0
Married				
With spouse only	62.5	69.8	80.1	85.2
With both spouse and others	27.7	23.1	17.6	10.3
Other b/	9.8	7.2	2.3	4.4
Total	100.0	100.0	100.0	100.0
Number Noninstitutionalized (In thousands)	1,193	1,952	2,750	3,253
Number Institutionalized (In thousands)	163	369	631	n.a.

NOTE: Percentages may not sum to 100 because of rounding.
n.a. = not available.

a. See definitions in Table 1.

b. Married, spouse not present in the household.

- Nonelderly adults have shown by their own patterns of household formation that they do not favor extended family living for themselves, even though they have increasingly told polltakers that they approve of the idea. The evident preference for independent living on the part of nonelderly adults may itself have limited older Americans' access to extended family residence.

- Changes in the composition of the elderly population resulted in slightly fewer elderly living independently than would have been the case if the age and marital status distributions had remained unchanged since 1960.

- Most people over age 65 who live with their relatives reside with their adult offspring, and elderly people today have, on average, fewer children with whom housing can be shared than was the case in 1960.

- Because the older population has been aging, the elderly have, as a group, become less physically capable of functioning without the help of other household members. Increases in solitary residence have therefore occurred in spite of, rather than because of, changes in health status.

- Shared residence among generations does not always indicate that children are assisting their parents, but the frequency of parents assisting their adult offspring in this way is not known.

Residential Preferences

Survey data have consistently shown that most older Americans prefer independent living. For example, only 26 percent of those age 60 and older included in a 1957 National Opinion Research Survey found the situation of "older people sharing a home with their grown children" to be "a good idea." Just 23 percent of older respondents expressed approval of such coresidence when polled in 1976-1978. In fact, elderly people were less likely to express approval of it than were younger adults. Numerous other studies conducted since the 1950s confirm that the elderly have long preferred to live near, but not with, their children.[7]

While attitudes toward coresidence are important, they cannot explain most of the transformation in elderly peoples' living arrangements over recent decades. That transformation has far exceeded the slight change observed in attitudes.

The limited explanatory power of changing attitudes toward coresidence is further underlined when the responses of all adults are considered. Although the National Opinion Research Survey found that among people age 60 and over approval of extended family living dropped slightly between 1957 and 1978, the responses of all survey participants age 21 and over showed increasing approval for the idea. In 1978, 34 percent of all adults polled favored the sharing of housing by older parents and their grown children, compared with 28 percent in 1957.[8] Yet extended family households were becoming much less common during this period.

The disparity between expressed approval of coresidence and actual living arrangements of the elderly may stem from conflict with another growing preference. In recent decades, adults of all ages have increasingly purchased--and have come to expect--personal privacy in their living arrangements. This is reflected in the tendency of nonelderly adults to live apart from extended relatives of all ages. Because coresidence of adults requires mutual willingness to share housing, this tendency in the general population may well have limited the pool of people actually willing to house and support elderly family members.

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7. Stephen Crystal, *America's Old Age Crisis* (New York: Basic Books, 1982), p. 222. For other data on the preferred living arrangements of the elderly, see Wilma Donahue, "Where and How Older People Wish to Live," *Housing the Aging* (Ann Arbor: University of Michigan, 1954), pp. 27-30; Zena Smith Blau, *Aging in a Changing Society* (New York: Franklin Watts, 1981); J.H. Britton, W.G. Mather, and A.K. Lansing, "Expectations for Older Persons in a Rural Community: Living Arrangements and Family Relationships," *Journal of Gerontology*, vol. 16 (April 1961), pp. 156-162; Bernard Kutner and others, *Five Hundred Over 60* (New York: Russell Sage Foundation, 1956); E. Shanas and others, *Old People in Three Industrial Societies* (New York: Atherton Press, 1968); James N. Morgan and others, *Income and Welfare in the United States* (New York: McGraw Hill, 1962), pp. 158-178.

8. Stephen Crystal, *America's Old Age Crisis*, p. 47.

Improvements in Economic Status

Several researchers have offered an economic explanation for changes in the living arrangements of the general population: growth in real incomes has enabled more people to purchase residential privacy.9/ The improved financial security of people age 65 and older would thus have eased pressure on extended family members to share housing with their elderly relatives.

This economic model of household formation receives considerable support from the fact that the personal resources of elderly individuals and couples rose sharply between 1959 and 1983, at the same time that independent living arrangements were becoming increasingly common. Measured simply in terms of real personal incomes (excluding in-kind benefits and assets), the economic status of the elderly has improved substantially over the past two and a half decades (see Table 3).10/ [In this paper, personal income for the elderly living with their spouses refers to the combined individual incomes of the husband and wife (combined spousal income); for others, personal income is the income of the individual.] Among elderly people not living with spouses, the proportion with personal incomes less than $5,000 (in 1983 dollars) fell from almost three-quarters in 1959 to about one-third in 1983. Movement out of the bottom economic strata

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9. See, for example, Geoffrey Carliner, "Determinants of Household Headship," *Journal of Marriage and the Family*, vol. 37 (February 1975), pp. 28-38; John F. Ermisch, "An Economic Theory of Household Formation," *Scottish Journal of Political Economy*, vol. 28 (February 1981), pp. 1-19; Robert T. Michael and others, "Changes in the Propensity to Live Alone: 1950-1976," *Demography*, vol. 17 (February 1980), pp. 39-53.

This perspective is modified by analysts who acknowledge some effect from rising incomes but stress changes in consumer preferences as well. See John C. Beresford and Alice H. Rivlin, "Privacy, Poverty, and Old Age," *Demography*, vol. 3 (1966), pp. 247-258; and Fred C. Pampel, "Changes in the Propensity to Live Alone: Evidence from Consecutive Cross-Sectional Surveys, 1960-1976," *Demography*, vol. 20 (November 1983), pp. 433-447.

10. The improvement in the economic status of the elderly derived from several factors, including increases in real wages over the course of this century, expansion of pension coverage, legislated increases in Social Security benefits that outstripped inflation for part of the period under study, and establishment in 1972 of the Supplemental Security Income (SSI) program to assist the elderly, blind, and disabled. The first two factors--rising wages and growth of the pension system--are briefly discussed in Chapter II. Legislated across-the-board increases of 43 percent in Social Security benefits, compared with a 16 percent rise in the Consumer Price Index (CPI), boosted the real benefits of the elderly between 1968 and 1971. In 1972, the Congress raised benefits 20 percent and provided that, beginning in 1975, benefits rise in line with increases in the CPI. SSI provided guaranteed minimum incomes of $336 a month for an individual and $504 for couples in 1986. Moreover, in that year, all but eight states supplemented these federally funded benefits.

TABLE 3. ELDERLY PERSONS BY INDIVIDUAL OR COMBINED SPOUSAL INCOME CATEGORY, 1959-1983 a/

Income Category (In 1983 dollars) b/	1959	1969	1979	1983
Number Not Living with a Spouse (In thousands)				
Negative - 0 c/	1,261	584	342	221
1 - 2,499	1,695	1,538	600	571
2,500 - 4,999	2,489	3,204	3,327	3,543
5,000 - 7,499	752	1,631	2,740	2.962
7,500 - 9,999	350	707	1,335	1,464
10,000 and over	787	1,542	2,928	3,462
Total	7,334	9,206	11,272	12,224
Percent				
Negative - 0 c/	17.2	6.3	3.0	1.8
1 - 2,499	23.1	16.7	5.3	4.7
2,500 - 4,999	33.9	34.8	29.5	29.0
5,000 - 7,499	10.3	17.7	24.3	24.2
7,500 - 9,999	4.8	7.7	11.8	12.0
10,000 and over	10.7	16.7	26.0	28.3
Total	100.0	100.0	100.0	100.0
Number Living with a Spouse (In thousands)				
Negative - 0 c/	238	145	97	58
1 - 2,499	381	261	89	117
2,500 - 4,999	1,377	915	444	383
5,000 - 7,499	1,531	1,614	1,140	1,220
7,500 - 9,999	1,069	1,299	1,668	1,603
10,000 and over	3,372	5,601	9,292	10,685
Total	7,968	9,835	12,730	14,067
Percent				
Negative - 0 c/	3.0	1.5	.8	.4
1 - 2,499	4.8	2.7	.7	.8
2,500 - 4,999	17.3	9.3	3.5	2.7
5,000 - 7,499	19.2	16.4	9.0	8.7
7,500 - 9,999	13.4	13.2	13.1	11.4
10,000 and over	42.3	56.9	73.0	76.0
Total	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office tabulations of the March 1984 Current Population Survey and the 1:1000 Public Use Samples for the 1960, 1970, and 1980 Censuses.

NOTE: Percentages may not sum to 100 because of rounding.

a. The universe is restricted to people age 65 and older. Numbers refer to people rather than couples or households.

b. Income for those not living with a spouse is individual income. For those living with their spouses, income is combined spousal income (the sum of the individual incomes of the husband and wife). The incomes of spouses under 65 were included when calculating combined spousal incomes; people under 65 with marriage partners 65 and over were not themselves counted.

c. The negative-$0 income category includes people whose business losses exceeded their gross incomes and people with no income.

was particularly dramatic; despite a 67 percent increase in the size of the elderly group not living with a spouse, the number of them who had individual incomes below $2,500 dropped from nearly 3 million to about 800,000 between 1959 and 1983. The married elderly also enjoyed substantial gains in material resources; the proportion of those living with their spouses who had combined spousal incomes above $10,000 nearly doubled over the period.11/ In large part because of this rise in personal incomes, the proportion of elderly people in households with family incomes falling below the poverty line fell from 37 percent in 1959 to 12 percent in 1984 (see Figure 4). These increases in real personal incomes enabled a larger proportion of the elderly to bear the costs of maintaining independent households.

Evidence of the close tie between the rising incomes of the elderly and the decline in extended family living is given by the positive relationship between personal income level and separate residence in recent years.12/ As shown in Table 4, elderly unmarried people with low individual incomes tend to live with their relatives or with unrelated people, while their wealthier counterparts are concentrated in solitary households. Similarly, elderly married people with low combined spousal incomes are more likely to reside with other people in addition to their spouses than are those at higher income levels. The same positive relationship between independent residence and high personal income prevailed in 1959, 1969, and 1979, and within demographic subgroups.

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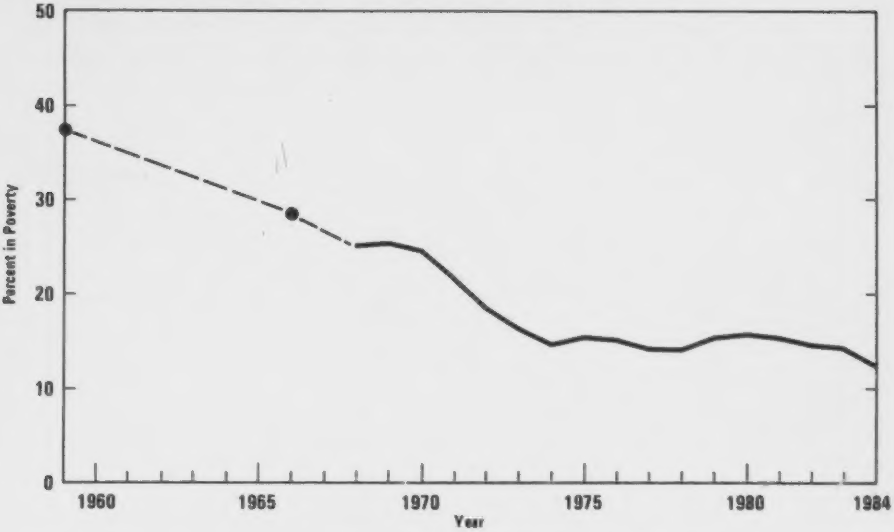
11. The economic status of the elderly was measured by personal (individual or combined spousal) incomes rather than by household or family incomes, because it is the resources available to elderly individuals and couples that determine their ability to maintain separate households. Alternative, more widely used measures would have been the family incomes of households headed by people 65 and older and the personal incomes of elderly "unrelated individuals." However, these income measures would have excluded elderly people living in family households with nonelderly heads. These other measures are also affected by changes in the incomes of coresident relatives and by the relative share of elderly people living with extended family members. The income figures shown in Table 3 include the entire elderly population and are largely independent of both residence choices and the economic status of the nonelderly.

12. It should be noted that rising incomes have not always brought greater independence in living arrangements, for no marked rise in solitary residence accompanied rising incomes until the 1940s. Some contend that a change in consumer preferences was an additional prerequisite for increases in the proportion living alone. See Beresford and Rivlin, "Privacy, Poverty, and Old Age," pp. 247-258; Pampel, "Changes in the Propensity to Live Alone," pp. 244-246. Michael and others claim that mean incomes were too low for additional resources to support solitary residence prior to the 1940s; they suggest that some threshold income was passed sometime in that decade. "Changes in the Propensity to Live Alone," p. 45.

Figure 4.

Poverty Rates for All Elderly, Selected Years, 1959-1984



SOURCE: Congressional Budget Office, from the 1:1000 Public Use Sample of the 1960 Census; Current Population Reports, Series P-60, no. 130 and no. 149.

Over the past quarter century, the financial well-being of older Americans has also improved in terms of asset accumulation. The proportion of elderly people who own their own homes (alone or jointly with their spouses) increased somewhat between 1960 and 1980 (see Table 5).13/ How much the rise in property ownership has increased the discretionary income of the elderly and their ability to maintain independent households is hard to estimate, however. Although 87 percent of elderly homeowners in 1980 possessed mortgage-free homes, a substantial minority had older houses requiring repair or

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13. The figures in the last row of Table 5 estimate the proportion of elderly people who own their housing units. These figures do not show the proportion living in housing owned by any member of the household. Nor should these summary figures be confused with other measures like the extent of homeownership among households headed by people age 65 and older.

TABLE 4. LIVING ARRANGEMENTS OF THE ELDERLY BY INDIVIDUAL OR COMBINED SPOUSAL INCOME, 1983 (In percent) a/

Living Arrangement	Negative to $0	$1-$2,499	$2,500-$4,999	$5,000-$7,499	$7,500-$9,999	$10,000 and Over
			Not Living with a Spouse b/			
Alone	23	38	58	66	74	77
With Relatives	72	56	37	29	22	20
With Unrelated Others	6	7	5	5	4	4
Total	100	100	100	100	100	100
Number in Thousands	221	571	3,542	2,962	1,464	3,462
			Living with a Spouse c/			
With Spouse Only	47	73	80	79	82	86
With Both Spouse and Others	53	27	20	21	18	14
Total	100	100	100	100	100	100
Number in Thousands	58	117	383	1,220	1,603	10,685

SOURCE: Congressional Budget Office tabulations of the March 1984 Current Population Survey.

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in Table 1. Numbers refer to people 65 and older, not to households or couples.

b. Distribution of living arrangements within individual income categories.

c. Distribution of living arrangements within combined spousal income categories. See Table 3 for details on the calculation of spousal income and restrictions on the sample universe.

spent more than 30 percent of their income in housing costs.[14] Moreover, the increase in the homeownership of this group may have worked against the shift toward independent residence, since low-income elderly homeowners are substantially more likely to live with

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[14] In 1981, 5 percent of all homeowner households headed by a person age 62 and older were in dwellings needing rehabilitation. Housing costs exceeded 30 percent of income for 17 percent of households headed by homeowners age 62 and older, and exceeded 50 percent of income for 5 percent of the households in this category. Paying more than 30 percent of income in housing costs is often defined as "excessive," because that is the percentage of countable income paid by most households receiving housing assistance under federal programs. Statement of Martin D. Levine, Deputy Assistant Director for Education, Employment, Housing and Community Development, Congressional Budget Office, before the Subcommittee on Housing and Consumer Interests, Select Committee on Aging, United States House of Representatives, Washington, D.C., March 7, 1985.

TABLE 5. ESTIMATED PROPORTION OF ELDERLY PEOPLE OWNING THEIR HOMES, 1960-1980 (In percent)

	1960		1970		1980	
	Percentage in Subgroup	Percentage of Subgroup Owning Homes	Percentage in Subgroup	Percentage of Subgroup Owning Homes	Percentage in Subgroup	Percentage of Subgroup Owning Homes
Elderly Family Householders a/	39.4	76.7	37.3	75.3	36.4	81.2
Elderly Spouses of Family Householders	17.4	79.5	18.1	76.4	19.6	81.8
Elderly Primary Individuals b/	20.1	53.6	27.5	54.1	30.5	57.3
All Other Elderly	23.2	0	17.0	0	13.5	0
All Elderly c/	100.0	54.8	100.0	56.9	100.0	63.1

SOURCE: Congressional Budget Office tabulations of the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

NOTE: Those elderly living in owner-occupied dwellings who were not listed as the householder or spouse of the householder were presumed not to be owners.

Percentages may not sum to 100 because of rounding.

a. Includes elderly people who were listed as household heads and who lived with people related to them by blood, marriage, or adoption.

b. Includes elderly people living alone or heading households consisting of themselves and unrelated others.

c. The percentage of all elderly owning their homes was calculated by summing the number of people in the first three categories who were in owner-occupied dwellings and dividing by the total number of people age 65 and older.

extended family members than are elderly renters with comparable personal incomes.15/

The expansion of noncash benefits and government-subsidized services has also enhanced the material position of older Americans

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15. The positive relationship between extended family living and homeownership may reflect two factors. First, children are more likely to delay leaving home if their parents can offer them less cramped accommodations. Second, people in extended families may have an incentive to retain their homes to accommodate the additional household members, instead of moving to smaller rented quarters.

since 1960. Among the most important of these are health care programs targeted on the elderly, which free up cash for the purchase of other goods and services. Medicare, which was introduced in the mid-1960s, covered hospital care and physician and other medical services for more than 95 percent of people 65 and older in 1983.16/ Hospital insurance is available through Medicare at no cost to all elderly people who are eligible to receive Social Security; coverage for physicians' charges and other services may be purchased for an annual premium of $214 (in 1986), an amount that covers about 25 percent of these costs. The estimated cost to the government of providing Medicare benefits that year averaged $2,300 per elderly enrollee. In addition, Medicaid--which serves, among others, the low-income and medically needy elderly--financed health care for about 10 percent of the non-institutionalized elderly in 1985.

Other federal programs that provide food, housing assistance, and services have increased the non-cash income of older Americans over the past quarter century. In 1983, food stamps were received by 7 percent of households headed by a person 65 or older; the average annual face value of this benefit for this population was $482.17/ In the same year, federal housing subsidy programs assisted approximately 1.5 million elderly households.18/ A variety of programs whose scope is set by appropriation levels--such as those funded under the Older Americans Act--have provided elderly beneficiaries with meals, transportation, legal assistance, and other services at no or reduced cost.19/

Because noncash benefits and services targeted on the elderly have freed up cash income or have offered assistance formerly provided by friends and family, the initiation and expansion of such programs probably facilitated the shift away from extended family

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16. Figures taken from U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 148, *Characteristics of Households and Persons Receiving Selected Noncash Benefits: 1983* (February 1985), pp. 15, 42.

17. Ibid., pp. 7, 20, 25.

18. Approximately 2 million additional elderly families with incomes below 50 percent of the median were eligible for assistance but were not served by federal housing programs. See U.S. Senate, Report of the Special Committee on Aging, *Developments in Aging: 1983*, p. 453.

19. Data on services provided to the elderly in the community is too limited to permit monetary estimates of their value or of the number receiving specific categories of assistance.

living for some low-income older people. In addition, some federal policies may have had the unintended consequence of encouraging the shift toward independent residence by providing disincentives to extended family living. For example, Supplemental Security Income payments are reduced by one-third for a beneficiary who lives in another person's household and receives support and maintenance from that person.20/

Despite clear ties between personal resources and residence choices, economic factors neither wholly dictate living arrangements nor fully explain the transformation of the living arrangements of the elderly between 1960 and 1984. Some elderly people with relatively high personal incomes still choose to live in extended family households, while others in the lowest income brackets reside independently. In 1983, for example, one-fifth of the unmarried elderly with personal incomes above $10,000 resided with relatives, while another 4 percent lived with unrelated people. Close emotional ties between generations, the need for assistance among the frail and disabled, and simple reluctance to leave familiar living situations doubtless impose noneconomic bounds on the proportion of older people choosing to live independently.21/

Similarly, independent residence is not entirely confined to elderly couples and individuals with moderate and high incomes--that is, to people who can "afford" to live independently. In 1983, over half of elderly unmarried people with incomes under $5,000 lived alone; many lacked assets and noncash benefits.22/ For these elderly soli-

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20. Still other provisions of federal law are thought by some to have encouraged elderly unmarried people to live with unrelated individuals rather than remarry. Prior to 1984, divorced or disabled widow(er)s who married before age 60 had their Social Security survivors' benefits from the previous spouse's record terminated unless the new spouse was receiving certain types of auxiliary benefits. This possible deterrent to marriage was removed beginning in 1984. A few elderly may still find it advantageous to file their income taxes as single rather than married people (if, for example, the couple's combined income exceeds the level below which Social Security income is not taxed, while their individual incomes fall below the the comparable level for individuals). The number of older people whose residence choices were shaped by these last two legal provisions appears to have been small; in recent years, only about 2 percent of elderly people lived with unrelated others.

21. In some cases, elderly people with relatively high incomes may live with other relatives so they can assist them financially. For example, an elderly parent may continue to offer housing to an adult child with low earnings.

22. Among unmarried elderly people with incomes under $5,000 in 1983 who lived alone, about half did not own their homes. Eighty-four percent of this group who were renters did not live in subsidized housing, and two-thirds of the elderly solitary householders at this income level did not receive Medicaid.

tary householders in the bottom income strata, independent residence may well bring financial hardship. The low-income elderly residing independently enjoy neither economies of scale in housing costs nor the income support from coresident relatives afforded some of their counterparts in extended family households.

Moreover, the shift into separate households does not represent simply a movement of the elderly population into higher income brackets. Rather, it cuts across income brackets, as is shown in Table 6. Since 1959, with a few exceptions, increasing proportions of the elderly in all income strata, both married and unmarried, have come to live in separate households. Some of this increase in independent residence within income levels can be attributed to rising assets and noncash benefits not included in these statistics, but noneconomic factors have almost certainly played a role as well, as discussed later in this chapter.

The Age and Marital Status Distribution of the Elderly Population

Just as the probability that a person will adopt a given living situation depends, in part, on that person's age, sex, and marital status, so does the aggregate distribution of living arrangements depend upon the age, sex, and marital status distribution of the population.

Between 1960 and 1983, the characteristics of the elderly were changing along with residence patterns. The elderly population was itself aging; people 75 and older made up 34 percent of the elderly population in 1960, 38 percent in 1970, and 40 percent in 1983. Also, women were making up a growing share of the population age 65 and older, because gains in female life expectancy outstripped those for men. There were 83 elderly men for every 100 elderly women in 1960, 72 in 1970, and only 67 in 1983.23/

Furthermore, the proportion of married elderly people has increased slightly, from 51 percent in 1960 to 55 percent in 1983. Most

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23. Current Population Reports, Series P-25, nos. 519, 721, and 949.

TABLE 6. ELDERLY LIVING ALONE OR ONLY WITH THEIR SPOUSES, BY INDIVIDUAL OR COMBINED SPOUSAL INCOME, 1959-1983 (In percent) a/

Income Category (In 1983 dollars)	1959	1969	1979	1983
Unmarried Elderly in Category Living Alone b/				
Men b/				
4,999 or less	39.9	53.0	57.3	49.0
5,000 - 7,499	47.2	58.8	64.6	58.5
7,500 - 9,999	44.8	56.6	63.5	65.9
10,000 and over	46.9	65.1	72.6	72.0
Women b/				
4,999 or less	36.5	48.5	55.5	54.9
5,000 - 7,499	51.9	63.9	66.2	68.2
7,500 - 9,999	58.7	63.3	69.3	76.5
10,000 and over	53.3	66.7	74.5	78.3
Married Elderly in Category Living Only with Their Spouses				
Men c/				
4,999 or less	64.4	74.0	73.1	72.4
5,000 - 7,499	70.0	75.0	76.7	76.9
7,500 - 9,999	67.9	77.8	82.9	80.3
10,000 and over	71.5	78.5	81.9	83.6
Women c/				
4,999 or less	67.0	76.8	77.3	79.6
5,000 - 7,499	73.4	79.2	80.8	81.8
7,500 - 9,999	72.7	81.4	86.9	84.7
10,000 and over	76.7	83.6	87.1	88.4

SOURCE: Congressional Budget Office tabulations of the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey.

a. Percentages refer to percentages of elderly people within income categories, not to percentages of households or couples.

b. Income for unmarried people is individual income. People listed as "married, spouse absent" are here included in the unmarried population.

c. Income for people living with their spouses is combined spousal income (the sum of the incomes of the husband and wife). See notes to Table 3 for details on the calculation of this statistic.

of this increase has been concentrated among men; the proportion of men age 65 and over who were married rose from 69 percent in 1960 to 71 percent in 1970 and 78 percent in 1983. While increases in female life expectancy reduced the probability of widowhood for elderly men, elderly women were about equally as likely to be married in 1983 (36 percent) as in 1960 (39 percent).24/

Some of these changes in demographic composition should result in more elderly people living with younger people. In fact, the rise in independent living would have been even greater than it was, had the changes in the demographic factors not occurred.

The proportion of the elderly found in a given household type is a function of the relative size of demographic subgroups and of the residence choices of people in these subgroups. Table 7 shows the proportion of elderly people adopting various living arrangements in 1960 and 1980, and reports the amount of change in the relative frequency of each household type that can be ascribed either to (1) shifts in the age and marital status distribution of the elderly, or (2) differences in the extent to which people of a given age and marital status selected each residence type--that is, differences stemming from all other factors such as growth in incomes and assets.25/

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24. In accordance with the practice generally followed in this paper, people who are separated are not included in the married population.

25. Simply put, the figures were derived by estimating what residence patterns would have been in 1980 had the age-sex-marital status-specific residence choices prevailing in 1960 remained constant, and by using an algebraic formula to allocate actual change in the percentage of the elderly in particular household types between demographic shifts and altered residence choices.

The technique used here to allocate change in the relative frequency of residence types between demographic shifts and altered residence choices is similar to direct standardization. For direct standardization, the proportion of people in a specific age-sex-marital status group that adopted each residence type in 1960 would be multiplied by the number of people in that demographic subgroup in 1980. The difference between the percentage of the elderly in that household type in 1960 and the hypothetical percentage derived by applying 1960 rates to the 1980 population would approximately measure the amount of change in living arrangements due to demographic change alone. The additional change not accounted for by demographic change would be attributed to changes in residence choices.

To derive more statistically sound estimates of the decomposition between demographic changes and all other factors affecting residence choices than is yielded by direct standardization, a slightly more complex and less intuitively obvious procedure was followed. Specifically, the average of the proportion of the population falling into each demographic subgroup in 1960 and 1980 was multiplied by the difference in the proportion of elderly people in that subgroup adopting a specific living arrangement in 1960 and 1980. When summed across demographic subgroups, these figures

(Continued)

TABLE 7. AMOUNT OF CHANGE IN LIVING ARRANGEMENTS IN 1960-1980 ATTRIBUTABLE TO POPULATION COMPOSITION AND RESIDENCE CHOICES

	Percentage Distribution of Living Arrangements b/			Percentage-Point Change Attributable to	
Living Arrangements a/	1960	1980	Percentage-Point Change, 1960 to 1980	Demographic Change c/	Change in Residence Preference within Group d/
Women 65 and Over					
Unmarried					
Alone	24.4	39.8	15.4	-0.2	15.5
With relatives	33.9	21.4	-12.5	0.3	-12.8
With unrelated others	4.5	1.0	-3.5	0.1	-3.5
Married					
With spouse only	27.1	32.0	4.9	-0.2	5.1
With spouse and others	10.0	5.8	-4.2	0.0	-4.3
Men 65 and Over					
Unmarried					
Alone	11.7	14.7	3.0	-3.0	6.1
With relatives	14.3	7.2	-7.1	-2.4	-4.7
With unrelated others	4.0	1.1	-2.9	-0.4	-2.5
Married					
With spouse only	48.3	61.6	13.3	4.4	8.9
With spouse and others	21.7	15.4	-6.3	1.5	-7.7

SOURCE: Congressional Budget Office calculations based on the 1:1000 Public Use Samples for the 1960 and 1980 Censuses, using the decomposition technique described in Evelyn M. Kitagawa, "Components of a Difference Between Two Rates," *American Statistical Association Journal 50* (December 1955), pp. 1,168-1,194. See footnote 25 above for discussion.

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in Figure 1.

b. Refers to percentage of elderly people within each living arrangement, not percentage of households or couples.

c. Change in the relative frequency of each residence type attributable to shifts in age and marital status composition.

d. Change in the relative frequency of each residence type attributable to shifts in the residence choices made by people within each age-marital status group.

As Table 7 indicates, demographic change since 1960 explains virtually none of the shift in residence patterns among elderly women; among men the pattern is mixed. In some instances, demographic shifts help explain increases in independent residence for men. For example, about one-third of the increase in the proportion of elderly men living only with their spouses--from 48.3 percent in 1960 to 61.6 percent in 1980--reflected the increase in the proportion of elderly men in every age group who were married. The rest of the increase came from the growing tendency for married men to live only with their spouses, rather than with both their spouses and others.

In other instances, demographic shifts actually retarded movement toward independent living. For example, the proportion of men 65 and older living alone increased by three percentage points--from 11.7 to 14.7 percent--between 1960 and 1980. If the age structure and marital status distribution of older men had remained constant during this period, the growing popularity of solitary residence would have increased the proportion of elderly men in single-person households by six percentage points. Because the population of very old and married men--who are less likely to live alone--increased during this period, however, the actual rise in solitary residence for those 65 and older was limited to three percentage points.

Taken as a whole, shifts in the elderly population's composition held down increases in the proportion living independently between 1960 and 1980. In other words, if the age-sex-marital status distribution for the elderly in 1960 had remained unchanged, the proportion residing separately would have been still higher in 1980.26/ Other

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25. (Continued)

yield an estimate of the amount due to all factors other than demographic change. To estimate the amount due to changing demographic composition, the formula was reversed; the average of the proportion of a demographic subgroup adopting a specific residence type in 1960 and 1980 was multiplied by the difference in the proportion of the total elderly population falling into that demographic subgroup in 1960 and 1980. Formulas and mathematical proofs of the decomposition technique are provided in Evelyn M. Kitagawa, "Components of a Difference Between Two Rates," *American Statistical Association Journal 50* (December 1955), pp. 1,168-1,194.

26. To test the overall effect of demographic change on residence patterns, the percentage actually living independently in 1960 was compared with the hypothetical percentage produced by 1960 residence choices and 1980 population composition. For the latter figure, the number of elderly

(Continued)

factors, then, must be credited for the expansion of independent living among the elderly.

Change in the Number and Characteristics of Adult Children

The availability of surviving relatives also plays a role in the residence choices of the elderly. Although most elderly individuals have at least one living relative with whom housing could be shared, not all types of relatives are equally likely to reside with an elderly individual, nor are the aged themselves equally open to sharing housing with all sorts of kin. In 1980, for example, between two-thirds and three-fourths of the elderly who resided with extended family members shared housing with either a child, the spouse of a child, or the nuclear family of a child (see Table 8). In the oldest age brackets, where residence with relatives was most prevalent, living with family members other than children was particularly uncommon. Since residence with relatives most often involves residence with children, past fertility places constraints on the potential for extended family living among the elderly.

On the other hand, because not all children are equally willing or economically and physically able to care for low-income or disabled parents in their own homes, survival of at least one child to adulthood does not guarantee an elderly parent access to extended family living. In particular, elderly parents whose children are all married are less likely to live with them than are elderly parents generally.27/ More-

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26. (Continued)

people in each demographic subgroup in 1980 was multiplied by the proportion in that group adopting each residence type in 1960--thus yielding a hypothetical distribution of living arrangements under constant 1960 residence choices and 1980 demographic composition. With residence choices held constant, the 1960 population base yielded a higher percentage of elderly people living independently than did the 1980 population base.

27. In 1980, unmarried children were far more likely to live with their elderly parents than were their married counterparts. Within 15-year age groups, beginning with ages 31-45, only 2 to 4 percent of married people resided with their elderly parents, while 13 to 14 percent of unmarried children did so. This difference may be explained by unmarried children having no conflicting obligations to their own nuclear families, by the general tendency for married couples to form their own households, and by the possibility that unmarried adult children may be more likely to need aid from their parents than are married children.

(Continued)

TABLE 8. TYPES OF RELATIVES WITH WHOM ELDERLY PERSONS SHARED HOUSING IN 1980 (In percent)

Type of Relative Sharing Housing	Age of Elderly Person 65-69	70-74	75-79	80 and Over
Children or Spouses of Children a/	38.4	32.7	30.4	40.7
Children and Grandchildren	26.1	30.5	36.5	34.5
Siblings	15.8	20.0	18.2	11.6
Other Relatives	19.7	16.8	14.9	13.2
Total b/	100.0	100.0	100.0	100.0
Number (In thousands)	2,119	1,417	1,082	1,352

SOURCE: Congressional Budget Office tabulations of the 1:1000 Public Use Sample of the 1980 Census.

NOTE: Percentages may not sum to 100 because of rounding.

a. The combination of these two categories of relatives can be explained by the difficulty in distinguishing children from the spouses of children for elderly people not listed as heads of households, and the tendency for both children and children-in-law to be present.

b. All elderly people living with extended family members were counted only once, even if they lived with several types of relatives. For example, an older person living with both a sibling and an adult child was included only among those living with adult children. Rank order where more than one classification applied was as follows: children and grandchildren; children or the spouse of a child alone; siblings; and other relatives. This ordering system may slightly understate the share of elderly people who lived with more distant relatives.

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27. (Continued)

In the younger age groups, women were not overrepresented among children living with their parents. However, in the age group 60 and older, 10 percent of women shared housing with a parent, compared with only 5 percent of males 60 and older. The tendency for daughters rather than sons to live with elderly parents probably derives from two factors: the higher prevalence of widowhood among women, and the cultural belief that familial obligations such as caring for a frail elderly relative are primarily a female responsibility.

The term "children" here encompasses both children and the spouses of children; if children-in-law were excluded, the difference in the marital status composition between those living with elderly parents and the general population would be greater. Figures are based on the 1:1000 Public Use Sample of the 1980 Census.

over, elderly widows are more likely to live with relatives the larger the number of offspring (see Table 9). It is also important to note that coresidence may reflect assistance either from elderly parents to their adult children, or from the children to their parents. The economic position and health status of each generation are thus likely to affect residence decisions.

The fact that women have been having fewer children over time has contributed to the declining likelihood of the elderly living with relatives. Women who were 65 and older in 1960 had on average

TABLE 9. LIVING ARRANGEMENTS OF ELDERLY WIDOWED WOMEN BY NUMBER OF CHILDREN, 1980 a/

	Percent in Living Arrangement			
Number of Children	Alone	With Relatives	With Unrelated Others	Number of Elderly Widowed Women (In thousands)
0	77.5	19.9	2.6	1,215
1	65.5	33.1	1.3	1,341
2	68.6	30.2	1.2	1,598
3	64.7	34.7	0.7	1,064
4	59.9	38.9	1.2	664
5	55.7	43.1	1.2	411
6	53.4	46.2	0.4	266
7 or more	46.6	53.1	0.3	597

SOURCE: Congressional Budget Office tabulations of the 1:1000 Public Use Sample of the 1980 Census.

NOTE: Percentages may not sum to 100 because of rounding.

a. The sample is restricted to women because men were not questioned about the number of their children.

borne between 2.9 and 3.5 children, while their counterparts in 1980 averaged 2.4 to 2.7 children (see Table 10). Particularly striking is the decline in the proportion of large families over time. For example, 32 percent of women age 65-69 in 1960 who had ever married had borne four or more children, while only 22 percent of their counterparts in 1980 had done so. While changes in the characteristics of their children are not known directly, declines in the share of elderly people with large families suggest that elderly parents are now less likely to have at least one child with those characteristics--such as unmarried status--associated with the willingness or need to share housing.

The extent to which declining family size explains the drop in extended family residence among the elderly should not be overstated, however. The proportion of elderly women with at least one surviving child is estimated to have remained roughly constant at 75 percent between 1960 and 1980--the result of women having fewer children but more of those children surviving.[28] Thus, while some of this decrease in parent-child coresidence probably reflects the drop in the average number of children, much of it must be attributed to the desire for separate housing and the growing ability to purchase residential privacy among both the elderly and their children.

Changes in Health Status

Because those in poor health are more likely to reside with extended family members, the trend toward independent residence apparently occurred in spite of a decline in the health status of the total elderly population, a decline related to the aging of that population.[29] The

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[28] The estimates of the percentage of elderly women with at least one surviving child were calculated using an analytic model that closely resembles the one described in U.S. Bureau of the Census, *Current Population Reports*, Series P-23, no. 138, *Demographic and Socioeconomic Aspects of Aging in the United States* (August 1984), p. 141.

[29] The overrepresentation of the disabled in extended family households may reflect, in part, lower incomes as well as the need for services and assistance among members of this group. Disabilities reported after age 65 may indicate a long-term health problem that affected employment earlier in life and consequently reduced retirement income. The relationship between low income and disability is weaker for the elderly than for other age groups, however, because labor force participation is low even among healthy elderly people, and because chronic disabilities associated with aging may not become manifest until late in life. Moreover, the positive association between disability and extended family residence persists after income is controlled. For example, in 1974 elderly disabled SSI recipients were more likely to live with others than were nondisabled recipients. See Thomas Tissue and John L. McCoy, "Income and Living Arrangements Among Poor Aged Singles," *Social Security Bulletin*, vol. 44 (April 1981), pp. 3-13.

TABLE 10. NUMBER OF CHILDREN BY COHORT, FOR WOMEN WHO WERE AGE 65 AND OLDER BETWEEN 1960 AND 1980

Years Cohort Reached 65	Percent Distribution by Number of Children for Ever-Married Women a/ 0	1-3	4-5	6 or More	Average Number of Children for All Women
1976-1980	18.5	59.9	13.6	8.0	2.35
1971-1975	19.3	58.4	13.6	8.7	2.29
1966-1970	18.9	56.4	13.7	11.0	2.44
1961-1965	18.2	52.5	16.4	12.9	2.68
1956-1960	18.1	50.4	17.0	14.6	2.93
1951-1955	16.7	44.6	19.5	19.2	3.14
1946-1950	16.0	44.6	17.8	21.6	3.32
Pre-1946 c/	13.5	42.1	20.7	23.7	3.53 d/

SOURCES: Percent distribution by number of children tabulated by the Congressional Budget Office from the 1:1000 Public Use Samples of 1960, 1970, and 1980 censuses; average number of children drawn from U.S. Public Health Service, *Fertility Tables for Birth Cohorts by Color: United States, 1917-1973* (1976), p. 125.

NOTE: Percentages may not sum to 100 because of rounding.

a. The percentage distribution of women by number of children relates to the subset of women in the birth cohorts who had married and had survived to pass age 65 by the time of the 1960, 1970, or 1980 Census. Figures are restricted to ever-married women because only these women were questioned about their childbearing in the 1960 Census.

b. The average number of children for women in a cohort reflects the childbearing experience of all members of the birth cohort who reached at least age 15, regardless of whether the mothers survived to age 65 or older or the children were still alive. In short, these figures are simply the sum of the age-specific birth rates, from age 15 to age 50, for women born in the same years.

c. Includes only those women still alive at the time of the 1960 Census.

d. Average number of children for the birth cohort that reached age 65 in 1941-1945.

TABLE 11. LIVING ARRANGEMENTS AMONG THE ELDERLY BY DEGREE OF ACTIVITY LIMITATION FROM CHRONIC CONDITIONS, 1980 (In percent)

Living Arrangement a/	Unable to Perform Major Activity b/	Some Limitation of Activity c/	Not Limited in Activity
Unmarried, Age 65 to 74			
Alone	54	69	67
With Relatives	43	28	30
With Unrelated Others	3	3	3
Total	100	100	100
Number in Thousands	638	1,686	3,280
Unmarried, Age 75 and Older			
Alone	37	65	69
With Relatives	59	33	29
With Unrelated Others	4	3	3
Total	100	100	100
Number in Thousands	1,033	1,746	2,543
Married, Age 65 to 74			
With Spouse Only	78	81	83
With Both Spouse and Others	21	17	15
Other	1	2	1
Total	100	100	100
Number in Thousands	1,530	2,373	5,776
Married, Age 75 and Older			
With Spouse Only	79	86	88
With Both Spouse and Others	18	12	10
Other	2	2	3
Total	100	100	100
Number in Thousands	908	882	1,555

SOURCE: Congressional Budget Office tabulations of the Public Use Tape of the 1980 National Health Interview Survey.

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in Table 1.

b. People who are unable to perform any housework or to work at any job or business. See footnote 30 for further discussion.

c. People who are limited in their ability either to do housework or work at a job (but who can perform some aspects of such tasks) or to participate in other activities. See footnote 30 for further discussion.

extent of the relationship between physical condition and the residence choices of elderly people is shown in Table 11 on the preceding page. In 1980, 43 percent of unmarried people age 65-74 who were barred from major activities by chronic conditions lived with relatives, compared with about 29 percent of those with no limitation or partial limitation of activity. For unmarried people 75 and older, serious limitation of activity nearly halved the probability of living alone: only 37 percent of those who were unable to perform major activities lived alone in 1980, while about two-thirds of those not so limited were solitary householders. Disability due to chronic conditions also, though less dramatically, increased the odds of extended family living for elderly married people.30/

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30. In 1980, the National Health Interview Survey defined four categories of chronic activity limitation as follows: unable to carry on major activity; limited in amount or kind of major activity performed; not limited in major activity but otherwise limited; and not limited in activities. For the elderly, major activity could be either housework or work at a job or business; for retired people, the issue was whether they could work if they chose to do so. Thus, "unable to carry on major activity" here means either unable to do any housework or unable to work at any job. "Limited in amount or kind of major activity" indicates that a person cannot work full time or for long periods at a time, cannot perform strenuous tasks, or has some other limitation on work activity. "Otherwise limited" indicates the ability to perform one's major activity, but limitation in other activities such as church, club, hobbies, civic projects, sports, or games. "Not limited" describes all people not included in the other three categories. Table 11 aggregates the second and third groups, those limited in their major activity and those limited in other activities, into a single category termed "some limitation of activity."

CHAPTER II

FUTURE LIVING ARRANGEMENTS OF THE ELDERLY

The trend toward greater independent living among the elderly outlined in the preceding chapter is likely to continue for some decades to come. Also, the elderly population will grow both in absolute numbers and as a percentage of the total population. This chapter first presents information about the factors that are likely to lead to still greater prevalence of independent living among the elderly, and then projects the size and living arrangements of the elderly population under various assumptions.

FACTORS AFFECTING FUTURE RESIDENCE CHOICES

While forecasting the situation of a population subgroup 45 years hence is necessarily fraught with uncertainty, some factors that will affect the residence choices of future elderly cohorts are rooted in their personal history. Assuming that there will be no major change in the economy or in government policy, the retirement income of the future elderly can be estimated on the basis of their lifetime earnings to date, although generalizations about those who have only recently entered the labor force must be tentative. Similarly, the demographic constraints on extended family residence can be gauged from recent fertility levels and trends. Most uncertain is the health status of the future elderly.

The conclusions reached in this section are as follows:

- A growing proportion of the elderly are expected to have the material resources to maintain their own households. Barring major changes in public policy, there are likely to be increases in the real incomes of the elderly and declines in the proportion of elderly poor.

- Family size, or the availability of adult children for coresidence, may exert uneven pressure on future living arrangements. People reaching age 65 for the remainder of this century will have more opportunities to reside with extended family members than do today's elderly. Those who join the ranks of the elderly after the first decade of the twenty-first century will probably be more restricted in their choice of relatives for coresidence.

- There is little consensus on the future prevalence of disability among the elderly. Worsening of the overall health status of the elderly would be consistent with the continued aging of the elderly population. In that case, increases in the prevalence of chronic conditions within the total elderly population could modestly inhibit the growth of independent living.

Future Income Levels of the Elderly

Elderly people are expected increasingly to have the resources to maintain independent households in coming decades. Economic growth in the years since World War II--reflected in the progressively higher real (that is, adjusted for inflation) lifetime earnings of successive cohorts, increased female labor force participation, and the expansion of pension programs other than Social Security--may in itself reduce financial barriers to independent residence. This assumes that there will be no fundamental changes in government transfer programs for the elderly.

The largest of those transfer programs, Social Security, is expected to remain the primary source of income for people 65 and over. Social Security payments reflect lifetime earnings as modified by the benefit formula and the provision of dependents' and survivors' benefits. For that reason, progressively higher lifetime earnings for successive cohorts would tend to push up the incomes of the future elderly.[1]

Income from public employee and private pension plans (hereafter referred to as employee pensions) is also expected to move upward over time, in tandem with cohort differences in pension coverage.[2] Because major expansion of employee pension coverage really did not get under way until the 1940s (and because a claim on pension funds generally requires an extended stay in covered employment), a minority of today's elderly qualify for supplemental income from this source. In recent years, however, the proportion of newly retired workers with employee pension income has increased substantially: 56 percent of married couples and 42 percent of unmarried persons in this group received pensions other than Social Security in 1982, compared with 43 percent and 25 percent, respectively, in 1970. Since 1960, the proportion of aggregate wages and salaries paid into private pension and profit-sharing plans has more than tripled, and the proportion paid into public employee retirement plans has more than doubled. Workers who have recently joined the labor force thus appear still more likely to qualify for pension benefits, and to have correspondingly larger real retirement incomes, than similar people in the past.[3]

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1. According to data from the March 1985 Current Population Survey, Social Security payments account for the largest single source of income for unmarried elderly people and for married couples with at least one spouse 65 or older. More specifically, in 1984, 41 percent of all income for unmarried elderly men, 46 percent of that for unmarried elderly women, and 34 percent of that for elderly couples was drawn from Social Security benefits. In 1983, the Social Security program provided over half the cash income for a majority of all elderly individuals.

   The proportion of income that people age 65-69 receive from wages and Social Security payments may change in coming decades, due in part to changes in retirement age. Currently, those who retire at age 65 may receive full Social Security benefits, while reduced benefits are paid to those retiring as early as age 62. Under the 1983 Social Security Amendments, normal retirement age is slated to increase gradually from age 65 to age 67 by 2022. Early retirement age for workers will remain 62, but the actuarial reduction factor for early retirement will rise from the current 20 percent to 30 percent. These provisions are expected to increase somewhat the proportion of elderly people under age 67 who receive income from wages and reduce the proportion receiving Social Security benefits, compared with what would otherwise have occurred. Because earnings from employment tend to exceed Social Security payments--with benefits replacing about 42 percent of the average worker's preretirement earnings--working longer may directly increase the incomes of this group and indirectly add to the assets that accumulate before retiring.

2. Private pensions are pensions provided by private-sector employers. Other sources of income for the elderly include earnings; federal, state, and local government retirement programs--that is, public employee pensions; and assets that generate rent, interest, and dividends.

3. Virginia P. Reno and Susan Grad, "Economic Security, 1935-1985," *Social Security Bulletin*, vol. 48 (December 1985), pp. 11, 16, 18, based on a survey of new Social Security recipients.

(Continued)

A brief look at two generations--the cohort aged 65-74 in 1980 and the cohort that will reach these ages in the year 2000--illustrates some of the factors encouraging long-term upward movement in the real incomes of the elderly. Consider first the work histories of the birth cohort of 1906-1915 (aged 65-74 in 1980). Because of the general tendency for real wages to increase over the course of this century, this cohort had lower real earnings at every age than did the generations that followed them. During the period of rapid expansion of employee pension programs, these workers were beginning to leave the labor force--a fact that largely explains why only 30 percent of men in this cohort received employee pension income in 1983. Further, because relatively few married women of this generation worked outside the home, only a small proportion of the female cohort members qualified for pensions.

By contrast, people who will reach 65-74 in the year 2000 joined the labor force at a time of rapid economic growth and rising real income. Their working years also coincided with the expansion of

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3. Continued

Public employees are more likely to be included in a pension plan than are workers in the private sector. The extent of pension coverage in the future will thus depend on the mix of private and public employment in the economy, as well as on the availability and provisions of pension plans in each sector.

Forecasts of the future proportions of elderly people who will have pension benefits based on employment in the private sector have been made by the Urban Institute. The share of men 65-71 with private pension benefits is projected to rise from about one-third in 1982 to about 55 percent in 2000 and to about 65 percent in 2020. For men 72 and older, an increase from 25 percent in 1982 to 43 percent in 2000 and to 63 percent in 2020 is forecast. The corresponding figures for women are roughly 12 percent, 23 percent, and 41 percent for the age group 65-71, and 9 percent, 16 percent, and 31 percent for women 72 and older.

The relative importance of private pension payments will increase, although Social Security benefits are expected to remain the primary source of income for the elderly. The share of average income contributed by private pensions for men 62 and over is forecast to rise from 9 percent to 25 percent between 1982 and 2020. The corresponding figures for women are 2 percent and 10 percent. See Sheila R. Zedlewski, "The Private Pension System to the Year 2020," in Henry J. Aaron and Gary Burtless, eds., *Retirement and Economic Behavior* (Washington, D.C.: Brookings Institution, 1984), pp. 315-344.

The model used to generate these figures--DYNASIM--is a dynamic microsimulation model that subjects a population of individuals to demographic and economic events through time, according to predetermined probabilities. Two principal components are used to estimate future retirement benefits: the family and earnings history model, which simulates demographic and labor force behavior; and the jobs and benefits history model, which creates a job history and retirement benefits history for each individual in the sample. To make the estimates of future Social Security and private pension payments cited here, the II-B demographic and economic assumptions in the 1981 report of the Trustees of the Old-Age and Survivors Insurance Trust Funds were incorporated in the DYNASIM simulation model.

pension coverage, and the higher labor force participation rates of women in this generation add to both present and potential retirement income for this group.4/

Summary statistics on the median income of men and on female labor force participation during different phases of working life for these two generations, shown in Table 12, suggest the greater resources that the younger cohort will bring to retirement. Men who will comprise the "young old" at the turn of the century began their careers with higher real incomes than their counterparts born in 1906-1915, a situation that continued throughout their working lives. This factor, combined with greater female labor force participation and increased pension coverage for people born between 1926 and 1935, will probably pay off in higher retirement incomes after 2000.

This tale of two cohorts shows that major factors encouraging higher incomes for the future elderly reflect historical experience and are thus somewhat predictable--at least until the turn of the century, assuming no major economic or policy change. At the same time, this analysis has ignored differences in resources within birth cohorts. Because economic well-being past age 65 partly reflects remuneration during working life, subgroups (such as women and minorities) that today have lower earnings than other members of their cohort are likely to have lower retirement incomes as well.

More uncertain are forecasts about the status of younger cohorts who only recently began their work careers, and whose lifetime earnings will depend heavily on future levels of economic growth. Some argue that the historical tendency for succeeding cohorts to surpass their predecessors in material well-being, and for incomes to

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4. Not all of the expansion in pension coverage will be translated into an increase in retirees receiving pensions, primarily because some workers in covered jobs will voluntarily or involuntarily leave their jobs before the mandatory time required to qualify for benefits. For discussion of this issue, see President's Commission on Pension Policy, *Coming of Age: Toward a National Retirement Income Policy* (1981) and James H. Schulz, "Public Policy and the Future Roles of Public and Private Pensions," in G.S. Tolley and Richard V. Burkhauser, eds., *Income Support Policies for the Aged* (Cambridge, Massachusetts: Ballinger, 1977), pp. 11-36.

The effect of women's labor force participation on retirement income levels can also be overstated. As Social Security is currently structured, married persons who have worked receive either benefits based upon their averaged earnings or amounts equal to 50 percent of their spouses' benefits, whichever are larger. Many female workers are expected to receive few, if any, additional benefits as a result of their own employment. See Congressional Budget Office, *Earnings Sharing Options for the Social Security System* (January 1986).

increase over the work career, has slowed, as a result of the competition for jobs within the large baby boom cohort, recent periods of recession, and the possibility that productivity growth may be lower in the future. Nonetheless, long-term economic growth in recent decades and the expansion of employee pension coverage indicate these younger groups will probably also enter their later years with greater resources than today's elderly population.

TABLE 12. FACTORS AFFECTING MATERIAL RESOURCES OVER THE LIFE COURSE: BIRTH COHORTS OF 1906-1915 AND 1926-1935

Birth Cohort	Years in Which the Birth Cohorts Were Ages: 25-34 a/	35-44 b/	45-54 c/
Female Labor Force Participation Rate for Cohort Members (In percent)			
1906-1915	33.3	39.1	49.9
1926-1935	36.0	51.1	59.9
Median Income of Men for Cohort Members (In 1980 dollars)			
1906-1915	7,422 d/	10,664	14,409
1926-1935	13,635	20,380	21,177

SOURCE: Data on female labor force participation were taken from U.S. Department of Labor, *Handbook of Labor Statistics*, Bulletin No. 2217 (1985), p. 19 and from Gertrude Bancroft, *The American Labor Force: Its Growth and Changing Composition* (New York: Russell and Russell, 1975), p. 206. Median male income figures were taken from reports from the 1940, 1950, 1960, 1970, and 1980 Censuses of Population.

a. Data from 1940 for the 1906-1915 birth cohort and 1960 for the 1926-1935 birth cohort.

b. Data from 1950 for the 1906-1915 birth cohort and 1970 for the 1926-1935 birth cohort.

c. Data from 1960 for the 1906-1915 birth cohort and 1980 for the 1926-1935 birth cohort.

d. Published data on median income of men are not available from the 1940 Census. The income figure for that year is the weighted average of median family income for families with male heads age 25-29 and age 30-34.

The net effect of these trends can be seen in simulations of the future incomes of the elderly. Estimates of average Social Security and private pension payments in 2000 and 2020, which were produced by the Urban Institute using the DYNASIM microsimulation model, point to long-term growth in these income sources (see Table 13). The figures show modest growth in Social Security benefits until the turn of the century, followed by more sizable gains in these transfer payments over the next two decades. By contrast, the burgeoning of private pension payments is expected to occur primarily before the turn of the century.

When assessing future economic constraints on independent residence, however, the proportion of the elderly in the lowest income brackets may be more important than the elderly group's average income, because those with incomes near poverty are more likely to be precluded from separate residence by financial constraints.5/ Forecasts of the percentages of elderly people within specific income strata also depend on the future performance of the economy, but there is general agreement that the proportion with real incomes below $5,000, for example, will fall substantially. How much effect this drop will have on household structure cannot be precisely specified. Nonetheless, the example of the previous quarter century suggests that higher incomes will foster further movement of the elderly into independent households.

The Family Size of Aging Cohorts

Increases in average family size will make it easier for elderly people to live with relatives during the remainder of this century. As Table 14 indicates, the postwar baby boom increased family size and reduced childlessness for the cohorts who will reach age 65 between 1985 and 2005. More of the elderly will have at least one surviving son or daughter than in the recent past, and larger average family size will increase the probability that at least one child will have those characteristics--such as unmarried status--associated with coresidence.

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5. Some suggest the opposite possibility--additional resources for elderly couples might foster increases in extended family living by encouraging other relatives to move into the couple's household. See Saul Schwartz, Sheldon Danziger, and Eugene Smolensky, "The Choice of Living Arrangements Among the Elderly," in Aaron and Burtless, eds., *Retirement and Economic Behavior*, pp. 229-248.

TABLE 13. AVERAGE INDIVIDUAL RETIREMENT BENEFITS FOR RECIPIENTS IN 1982, AND PROJECTED FOR 2000 AND 2020 (In 1980 dollars)

Age Group	Average Benefit 1982	Average Benefit 2000	Average Benefit 2020	Percent Increase 1982-2000	Percent Increase 2000-2020
Social Security a/					
Men					
Age 65-67	5,084	5,573	7,865	9.6	41.1
Age 68-71	4,972	5,526	7,831	11.1	41.7
Age 72 or older	4,138	4,589	6,571	10.9	43.2
Women					
Age 65-67	3,115	3,452	4,808	10.8	39.3
Age 68-71	3,219	3,362	4,992	4.4	48.5
Age 72 or older	3,271	3,558	4,594	8.8	29.1
Private Pensions b/					
Men					
Age 65-67	1,876	3,509	4,521	87.0	28.8
Age 68-71	1,736	2,835	4,518	63.3	59.4
Age 72 or older	601	1,419	2,586	136.1	82.2
Women					
Age 65-67	846	1,584	1,897	87.2	19.8
Age 68-71	771	1,103	1,776	43.1	61.0
Age 72 or older	259	586	1,047	126.3	78.7

SOURCE: DYNASIM baseline projections, presented in Sheila R. Zedlewski, "The Private Pension System to the Year 2020," in Henry J. Aaron and Gary Burtless, eds., *Retirement and Economic Behavior* (Washington, D.C.: Brookings Institution, 1984), pp. 315-344. More extensive treatment of the DYNASIM model appears in Guy Orcutt, and others, *Policy Exploration Through Microanalytic Simulation* (Washington, D.C.: The Urban Institute, 1976). See also the discussion of the model in footnote 3.

a. Includes retirement and survivors' benefits.

b. Excludes benefits from pension plans for public employees.

TABLE 14. NUMBERS OF CHILDREN BY COHORT AMONG ALL WOMEN AGE 40 AND OLDER IN 1980

Years Cohort Reached or Will Reach 65	Percentage Distribution by Number of Children a/				Average Number of Children b/
	0	1-3	4-5	6 or More	
2001-2005	10.7	58.7	21.6	9.0	2.94
1996-2000	11.4	52.7	24.3	11.7	3.20
1991-1995	11.6	55.1	22.0	11.2	3.08
1986-1990	14.1	57.8	18.2	10.0	2.86
1981-1985	17.2	58.0	16.5	8.3	2.57
1976-1980	22.5	57.0	12.9	7.6	2.35
1971-1975	24.2	54.9	12.8	8.2	2.29
1966-1970	23.9	52.9	12.9	10.3	2.44
Pre-1966 c/	21.9	50.1	15.3	12.7	2.68 d/

SOURCES: Percentage distribution of childbearing calculated from the 1:1000 Public Use Samples of the 1970 and 1980 censuses; average number of children for cohorts born between 1901 and 1920 taken from U.S. Public Health Service, *Fertility Tables for Birth Cohorts by Color: United States, 1917-1973* (1976), p. 125; data for cohorts born between 1921 and 1940 taken from National Center for Health Statistics, *Vital Statistics of the United States, 1979, Volume I-Natality* (1984), p. 33.

NOTE: Percentages may not sum to 100 because of rounding.

a. The percentage distribution of women by number of children is based on responses to questions about past childbearing by the subset of women in these birth cohorts who had not died before the 1980 Census.

b. The average number of children for women in a cohort reflects the childbearing experience of all members of the birth cohort who reached at least age 15, regardless of whether or not they survived to age 65 or older. In short, figures on the average number of children are simply the sum of the age-specific birth rates, from age 15 to age 50, for women born in the same years.

c. Includes only those women still alive at the time of the 1980 Census.

d. Average number of children for birth cohort of 1896-1900.

After the first decade of the twenty-first century, however, newcomers to the ranks of the elderly are likely to be more restricted in possibilities for coresident kin. Although future fertility levels are uncertain, most demographic theory, recent fertility rates, and surveys on expected births suggest that families will be small. If so, when women now in their childbearing years reach age 65, they and their partners may have fewer alternatives to living by themselves.6/

Whether the elderly will have the option of residing with their adult children will depend not only on family size and child survival, but also on the bonds of obligation between generations. A 1983 study found that divorce "often permanently ruptures the parent-child relationship," and that "most outside parents [who did not have custody of children aged 12 to 16 in 1981] had seen their children rarely or not at all in the previous year."7/ A high divorce rate may thus work against extended family residence for the future elderly; the proportion of biological parents who have maintained contact and could actually reside with an adult child may be considerably lower than fertility and mortality rates alone imply.

While demographic factors like fertility levels, child survival, and divorce rates may encourage or constrain particular residence pat-

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6. Answers to questions about expected births by women age 18-34 in June 1982 suggest that those reaching age 65 between 2013 and 2029 will, on average, have about two children and that 11 percent to 12 percent will be childless. See U.S. Bureau of the Census, *Current Population Reports*, Series P-20, no. 387, *Fertility of American Women: June 1982* (April 1984), p. 1. Average family size may, however, fall considerably below the level suggested by these responses. In the late 1970s, the fertility of young women was lower than the level predicted by their childbearing expectations. While it is possible that younger cohorts are simply delaying their childbearing, postponed fertility may become forgone fertility for many of these women. For contrasting views on this subject, see Maurice J. Moore, "Findings from Census-Bureau Surveys," and George S. Masnick, "The Continuity of Birth-Expectations Data with Historical Trends in Cohort Parity Distributions: Implications for Fertility in the 1980s," in Gerry E. Hendershot and Paul J. Placek, eds., *Predicting Fertility: Demographic Studies of Birth Expectations* (Lexington, Massachusetts: Lexington Books, 1981), pp. 153-168, 169-184.

Extrapolation of childbearing to date by young cohorts points not only to smaller average family size but also to a high incidence of childlessness. David E. Bloom has estimated that 28 percent of women born in 1955 will bear no children. "What's Happening to the Age at First Birth in the United States? A Study of Recent Cohorts," *Demography*, vol. 19 (August 1982), pp. 360-361.

The Social Security Administration and the Census Bureau use 2.0 and 1.9 total lifetime births per woman as their respective preferred estimates in their population projections. These predictions imply an increase in future fertility levels over recent annual total fertility rates, which have fluctuated around an average of 1.8 births per woman since 1977.

7. Frank F. Furstenberg, Jr. and others, "The Life Course of Children of Divorce: Marital Disruption and Parental Contact," *American Sociological Review*, vol. 48 (October 1983), pp. 663-664.

terns, they are not necessarily determinative; the existence of surviving adult children is no guarantee of extended family living. Whether elderly parents and their surviving children choose to live together will depend on the residential preferences and material resources of both generations.

The Future Health Status of the Elderly

Among the factors affecting living arrangements, health of the population is perhaps the most difficult to predict and the most hotly disputed. Although experts uniformly forecast longer average life expectancy and generally expect disproportionate growth in the population 80 and older, no consensus has emerged as to whether longer life will mean healthier life. Some predict a lifespan increasingly free from illness; others foresee a greater prevalence of mental and physical disorders, especially among the very old. Several factors underlie the lack of consensus: uncertainty about the extent and direction of future breakthroughs in medical and biological research; disagreement over the nature of the aging process; and paucity of time-series data on the severity of chronic health problems.

Change in the nature of mortality decline since the late 1960s further complicates forecasting the physical well-being of the aged. While earlier increases in life expectancy were largely attributable to the cure of acute infectious diseases, recent increases are traceable to the control of chronic disorders once considered intractable to treatment--a development that may or may not mean improved health in later years.

Given these uncertainties, predictions about the future health status of the elderly range from pronounced optimism to extreme pessimism. Some foresee biomedical breakthroughs slowing down the aging process itself. Others, more guardedly optimistic, argue for a biologically set maximum lifespan with illness increasingly concentrated in the oldest ages.8/ More pessimistic analysts argue that

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8. Alexander Comfort forecasts eventual slowing down of the aging process but argues that disability will simply be postponed and will not change in overall prevalence. "A Biologist Laments and Exhorts," in Lissy F. Jarvik, ed., *Aging Into the Twenty-First Century* (New York: Gardner, 1978),

(Continued)

prolongation of life expectancy will extend the lives of those with emotional and physical impairments, thus increasing the prevalence of these conditions within the population. These analysts contend that medical advances have controlled the fatal complications of chronic diseases, but not the incidence and progression of the chronic impairments themselves. The outcome, they claim, is longer survival of seriously disabled persons, and corresponding decline in the average health status of the total population.9/

PROJECTIONS OF LIVING ARRANGEMENTS

Overall, the trends described above--particularly the likely increase in the real incomes of the elderly in the years ahead--point to a continued movement toward independent living in the future.

The remainder of this chapter presents a range of plausible projections of the number and proportion of the elderly population in specific living arrangements into the first half of the next century. These projections of living arrangements--which should be viewed as illustrative rather than as predictions of what the future will necessarily hold--are built on separate projections of: (1) the population of elderly

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8. Continued

pp. 41-60. James F. Fries argues that illness will be delayed until the final years of life or will be preempted by "natural death" at the end of a biologically set lifespan. His predictions rest in part upon the assumption of increased health-maintaining behavior by the population. See "Aging, Natural Death, and the Compression of Morbidity," *New England Journal of Medicine*, vol. 303 (July 1980), pp. 130-135 and J.F. Fries and L.M. Crapo, *Vitality and Aging: Implications of the Rectangular Curve* (San Francisco: W.H. Freeman, 1981). Lewis Thomas looks instead to scientific progress in medical treatment when predicting an almost disease-free future, in "Biomedical Science and Human Health: The Long-Range Prospect," *Daedalus*, vol. 106 (Summer 1977), pp. 163-171.

9. Ernest M. Gruenberg, "The Failures of Success," *Milbank Memorial Fund Quarterly/Health and Society*, vol. 55 (Winter 1977), pp. 3-24; Morton Kramer, "The Rising Pandemic of Mental Disorders and Associated Chronic Diseases and Disabilities," *Acta Psychiatrica Scandinavica*, vol. 62, Supplement 285 (1980), pp. 382-397.

Because the prevalence of chronic conditions is a function of incidence (the number of persons having some condition) and duration (the length of time the condition lasts), prolongation of life for persons with chronic conditions should necessarily increase the prevalence of chronic morbidity, if all else remains constant. On the other hand, all else may not remain constant; prolonged life expectancy may imply reductions in the severity and rate of progression of chronic disorders. For discussion of this point, see Kenneth G. Manton, "Changing Concepts of Morbidity and Mortality in the Elderly Population," *Milbank Memorial Fund Quarterly/Health and Society*, vol. 60 (Spring 1982), pp. 183-244.

people by age, sex, and marital status, and (2) the residential choices that such people might be expected to make.

Basis of the Projections

The population projections used here were made in 1985 by the Office of the Actuary of the Social Security Administration. They provide three different estimates of the number of elderly people by age, sex, and marital status into the next century.10/ The projections--hereafter referred to as Alternatives I, II, and III--make the same assumptions about age-specific rates of marriage and divorce, but they differ in their estimates of future mortality and immigration levels.11/ They yield population estimates that differ somewhat from

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10. The population projections distinguish four marital statuses: single, married, divorced, and widowed. People who are separated but not legally divorced are not distinguished from those who are married. For this reason, people who are separated from their spouses are included in the married population in the projections of living arrangements given in this chapter. Elsewhere in this paper, those who are separated are included among the unmarried population.

11. The demographic parameters in the population projections are discussed in detail in Alice H. Wade, *Social Security Area Population Projections 1985*, Actuarial Study No. 95, Social Security Administration, Office of the Actuary, SSI Publication No. 11-11542 (October 1985). Briefly summarized, the assumptions for alternatives I, II, and III respectively are as follows. Death rates are assumed to decline at an average annual rate of approximately 0.3 percent, 0.6 percent, and 1.2 percent between 1983 and 2060, declines approximately equivalent to 25 percent, 50 percent, and 100 percent of the average annual reduction observed between 1900 and 1983. Annual net immigration is set at 700,000, 500,000, and 300,000 persons. [Between 1978 and 1981, immigration averaged about 550,000 persons annually, and annual emigration has been estimated at over 100,000.]

While future mortality and immigration levels will affect the size of the elderly population, the most important influence on the number of people age 65 and older between 1985 and 2030 will be the size of successive birth cohorts, a factor which is predetermined because those persons who will join the elderly population over the next 45 years have already been born. The rate of mortality decline is likely to be the second most important determinant of the size of the elderly population, with immigration levels ranking third. The Office of the Actuary has joined the highest estimates of annual net immigration with the slowest decline in death rates in order to produce a population projection (Alternative I) that is "optimistic" from the perspective of future financing of Social Security. Similarly, the lowest immigration level is joined with the highest mortality decline to produce a population projection (Alternative III) that is "pessimistic" from this perspective. While the coupling of immigration and mortality parameters was not dictated by historical evidence or demographic theory, this choice of demographic assumptions is not implausible: a relaxation of immigration restrictions may be more probable under a slow net growth rate than under a population boom.

All three population projections produced by the Social Security Administration assumed that marriage and divorce rates will remain at the level observed in the twelve months ending with June 1984. Detailed rates specific for both age-of-husband and age-of-wife were employed, with previous marital status also taken into account in projecting marriages. Application of current divorce rates implicitly assumes that these rates will not continue to rise with successive cohorts,

(Continued)

each other but all three are substantially larger than today's elderly population.12/ (The projected institutionalized population--based on the 1980 institutionalization rates for age, sex, and marital status groups--was subtracted from the population projections before projecting the living arrangements of the elderly in the community.)

Forecasting the future living arrangements of the elderly also requires estimates of the probability that persons of a given age, sex, and marital status will adopt a specific living arrangement. The projections of household structure included in this paper assume that elderly people will, in the future, make residence choices that mirror those currently made by people with comparable demographic characteristics or will be even more likely to adopt independent residence.

Three alternative sets of residential probabilities were used to forecast the living arrangements of the elderly up to 2030, under the premise that historical evidence and the current situation provide the best guides to future developments.

- Future residence decisions made by people of each age, sex, and marital status were assumed to be identical to those

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11. Continued

as has been the case in the recent past. Application of current marriage rates assumes that a large proportion of the young adults who have not yet married are forgoing rather than postponing marriage, and projects a relatively high proportion of single elderly people. Because of instability in age-standardized marriage rates, which fell from 9.8 per thousand nonmarried persons of each sex in 1968 to 5.9 per thousand in 1981, future marriage trends are uncertain.

12. The projected population includes not only residents of the United States and U.S. armed forces overseas, but also the populations of Puerto Rico, Guam, American Samoa, and the Virgin Islands, and U.S. citizens residing abroad. The base population used in the projections (the estimated population as of July 1, 1983) is inflated to correct for the net undercount in the 1980 Census. As a result of these two adjustments, the base population used in these population projections is larger than that used in the population projections published by the Census Bureau. The population projections created by the Office of the Actuary of the Social Security Administration were used in this paper because the figures are broken down by marital status, which is a primary determinant of living arrangements, whereas those by the Bureau of the Census are not.

The estimates of future population size and composition were produced using the standard cohort component method of demographic projection. The projections began with an estimate of the Social Security area population, broken down by age, sex, and marital status, in July 1, 1983. Demographic subgroups of this base population and incoming immigrants were subjected to empirically observed or predicted probabilities of marriage, divorce, widowhood, and death; the sizes of age-sex-marital status groups were adjusted accordingly; and the size and composition of the population at a future date were calculated by summing the predicted numbers of people in each demographic subgroup.

made by people with the same demographic characteristics in March 1984, the last date for which data were available.

- The shift toward independent residence was assumed to continue at the same rate observed over the 15-year period 1970-1984 within each demographic subgroup.

- The shift toward independent residence was assumed to continue at the same rate observed over the 25-year period 1960-1984 within each demographic subgroup--rates that are considerably faster than under the second scenario.

Both the 1970-1984 trend probabilities and the 1960-1984 trend probabilities project considerable increases in the proportion of elderly people living independently by 2030, compared with the first scenario. The former set is representative of the more recent pattern of change in the residence choices of the elderly, reflecting a slowdown in the shift away from extended family living. The 1960-1984 trend represents a longer period of experience and averages out changes that might be ascribed to periods of unusual prosperity or economic stagnation.[13] In contrast, the first scenario presumes that no further changes will occur in the residence choices of each demographic group. In other words, it emphasizes the information from the 1980-1984 period, during which independent living continued to become more common only for a few demographic groups (for example, women age 75 and over).

Probabilities of adopting specific living arrangements for the first projection series--which assumes no change in residence choices in the future--were estimated from March 1984 Current Population Survey data. Probabilities for the last two projection series were derived by extrapolating trends observed in Current Population Survey and Census data (see Appendix A for details). To estimate the number of elderly people in each household type in a given year, demographic

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13. While the 1960s were a period of low unemployment and rapidly increasing real wages, the years between 1970 and 1984 were marked by sluggish growth and recessionary periods. It is unclear which of these patterns will be more characteristic of the next 45 years. Since relatively few of those age 65 and older are in the labor force, the residence decisions of the elderly are probably less sensitive to overall economic conditions than are those of younger age groups. However, because the consent of both the nonelderly and the elderly relatives is generally required to maintain an extended family household, the material circumstances of nonelderly adults will indirectly shape the residence choices of people 65 and over.

subgroups were subjected to the appropriate probabilities of adopting each residence type, thus combining figures from each population projection with each projection of residence choices.14/

Projections of the Future Elderly Population and Their Living Arrangements

Table 15 highlights the most important predicted changes in the size and composition of the elderly population. Most striking is the anticipated growth in the population who are age 65 and over--an increase of between 130 percent and 170 percent in the next 45 years. Growing predominance of the very old is also forecast; the proportion of the elderly who are 80 or older climbs from 22 percent in 1983 to between 25 percent and 30 percent in 2030. All of the projections point to a more balanced sex ratio, although women are still expected to be overrepresented. Each series forecasts slight increases in the proportion of married elderly persons.

Under all nine projections--Alternatives I, II, and III each combined with three sets of residential probabilities--the number of elderly people living alone is forecast to rise markedly by the year 2030 (see Tables 16, 17, and 18). The most important factor in this projected increase is growth of the total elderly population, brought about primarily by the aging of the large birth cohorts of the baby boom generation and secondarily by increases in average life expectancy.

Even if the rate of average annual mortality decline were only one-fourth as great as that observed between 1900 and 1983--Alternative I--and the trend toward independent residence were to halt immediately, the number of elderly solitary householders would more than double over the next 45 years, rising from 8.2 million in 1983 to 17.7 million by 2030 (compare the first and fourth columns of the first page of Table 16). Alternative assumptions entailing steeper mor-

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14. The methodology employed in these projections of living arrangements has much in common with that used by the Census Bureau to project the number of households and families. There are, however, substantive differences in the projection results produced, due primarily to the use of individual-level rather than family- and household-level measurement. For discussion of this difference, see Appendix B.

TABLE 15. CHARACTERISTICS OF THE ELDERLY POPULATION IN 1983 AND PROJECTED FOR 2030

	1983	Alternative Projections for 2030		
		I	II	III
Total Population 65 and older (In millions)	27.8	64.2	68.3	74.4
Percent Male	39.9	42.1	42.7	43.5
Percent Female	60.1	57.9	57.3	56.5
Age Distribution (In percent)				
65-69	32.5	29.4	27.9	26.0
70-74	26.6	26.3	25.5	24.5
75-79	19.1	19.6	19.6	19.5
80 or older	21.8	24.6	27.0	30.1
Percent Married a/	53.3	53.9	55.4	57.5

SOURCE: Congressional Budget Office, from population projections created by the Office of the Actuary, Social Security Administration.

NOTE: Percentages may not sum to 100 because of rounding.

a. Includes persons who are separated but not legally divorced.

tality decline and greater shifts in residence choices produce larger estimates of elderly living alone. The series incorporating the greatest change--the Alternative III population projection and the 1960-1984 trend probabilities--forecasts 24.3 million elderly solitary householders in the year 2030, a near tripling of the 1983 figure (compare the first and last columns of Table 18).15/

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15. Throughout this chapter, the future distribution of living arrangements among the elderly and the predicted number of people age 65 and older in each household type are compared with estimates for 1983. The 1983 figures were derived by applying age-sex-marital status-specific probabilities of adopting particular living arrangements (drawn from the March 1983 Current Population Survey) to estimates of the noninstitutionalized elderly population within the Social Security area. Because population projections produced by the Office of the Actuary of the Social Security Administration were used to project future living arrangements, the 1983 base population used in those population projections was selected as the most appropriate basis of comparison. The figures for 1983 given in this chapter thus differ slightly from those tabulated directly from the March Current Population Survey, given in Chapter I.

All of the projection series point to significant growth in the number of elderly people living only with their spouses by 2030. The specific estimates range from 27.9 million to 39.0 million, but all represent marked increases over the 11.9 million elderly living only with their spouses in 1983.

TABLE 16. PROJECTED LIVING ARRANGEMENTS OF THE ELDERLY UNDER THE ALTERNATIVE I POPULATION PROJECTION

Living Arrangement a/	1983 Population	1984 Probabilities 1990	2010	2030
Number (In thousands)				
Unmarried				
Alone	8,169	8,959	10,990	17,746
With relatives	3,410	3,985	4,974	8,095
With unrelated others	479	607	788	1,490
Married				
With spouse only	11,861	14,184	16,923	27,927
With both spouse and others	2,335	2,659	3,158	5,042
Total	26,255	30,395	36,833	60,299
Percent				
Unmarried				
Alone	31	30	30	29
With relatives	13	13	14	13
With unrelated others	2	2	2	3
Married				
With spouse only	45	47	46	46
With both spouse and others	9	9	9	8
Total	100	100	100	100

SOURCES: Projections by the Congressional Budget Office, based on population projections by the Social Security Administration, and on data from the Current Population Survey for 1967 to 1969, 1971 to 1979, and 1981 to 1984 and from 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

(Continued)

The aging of large birth cohorts and the mortality decline will exert upward pressure on the number of elderly people in every household type, but this would not preclude absolute declines in the number of elderly living with extended family members if the long-term trend toward separate residence were to continue at its past rate.

TABLE 16. Continued

Living Arrangement a/	1970-1984 Probabilities			1960-1984 Probabilities		
	1990	2010	2030	1990	2010	2030
	Number (In thousands)					
Unmarried						
Alone	9,420	12,932	21,411	9,523	13,409	23,109
With relatives	3,579	3,181	4,456	3,500	2,839	3,336
With unrelated others	517	467	1,032	491	329	421
Married						
With spouse only	14,404	17,884	30,267	14,542	18,443	31,552
With both spouse and others	2,476	2,369	3,132	2,338	1,814	1,882
Total	30,395	36,833	60,299	30,395	36,833	60,299
	Percent					
Unmarried						
Alone	31	35	36	31	36	38
With relatives	12	9	7	12	8	6
With unrelated others	2	1	2	2	1	1
Married						
With spouse only	47	49	50	48	50	52
With both spouse and others	8	6	5	8	5	3
Total	100	100	100	100	100	100

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in the notes to Table 1.

This is shown by applying the 1960-1984 trend probabilities to all three population projections.

A slower shift away from extended family living, represented by the 1970-1984 series, shows an increase of 1.8 million to 2.7 million

TABLE 17. PROJECTED LIVING ARRANGEMENTS OF THE ELDERLY UNDER THE ALTERNATIVE II POPULATION PROJECTION

Living Arrangement a/	1983 Population	1984 Probabilities 1990	1984 Probabilities 2010	1984 Probabilities 2030
	Number (In thousands)			
Unmarried				
Alone	8,169	8,966	11,223	18,150
With relatives	3,410	3,993	5,121	8,347
With unrelated others	479	608	816	1,558
Married				
With spouse only	11,861	14,360	18,211	30,490
With both spouse and others	2,335	2,688	3,356	5,412
Total	26,255	30,615	38,726	63,957
	Percent			
Unmarried				
Alone	31	29	29	28
With relatives	13	13	13	13
With unrelated others	2	2	2	2
Married				
With spouse only	45	47	47	48
With both spouse and others	9	9	9	9
Total	100	100	100	100

SOURCES: Projections by the Congressional Budget Office, based on population projections by the Social Security Administration, and on data from the Current Population Survey for 1967 to 1969, 1971 to 1979, and 1981 to 1984 and from 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

(Continued)

elderly living with extended family members (with relatives or with both spouses and others) by 2030. But it also shows a vastly larger increase of 31.6 million to 39.9 million living independently (alone or only with their spouses). Only the series that assumes residence choices remain as they were in 1984 projects significant increases in

TABLE 17. Continued

Living Arrangement a/	1970-1984 Probabilities			1960-1984 Probabilities		
	1990	2010	2030	1990	2010	2030
	Number (In thousands)					
Unmarried						
Alone	9,427	13,216	21,849	9,530	13,703	23,635
With relatives	3,587	3,281	4,674	3,508	2,926	3,464
With unrelated others	517	473	1,051	491	337	438
Married						
With spouse only	14,583	19,271	33,109	14,723	19,852	34,448
With both spouse and others	2,501	2,485	3,274	2,362	1,908	1,973
Total	30,615	38,726	63,957	30,615	38,726	63,957
	Percent					
Unmarried						
Alone	31	34	34	31	35	37
With relatives	12	9	7	12	8	5
With unrelated others	2	1	2	2	1	1
Married						
With spouse only	48	50	52	48	51	54
With both spouse and others	8	6	5	8	5	3
Total	100	100	100	100	100	100

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in the notes to Table 1.

the number living in extended family households--rising from about 2.8 million in 1983 to between 6.5 million and 7.7 million in 2030.

The percentage distributions of living arrangements vary under Alternative I, II, and III, but they are less sensitive to this variation in

TABLE 18. PROJECTED LIVING ARRANGEMENTS OF THE ELDERLY UNDER THE ALTERNATIVE III POPULATION PROJECTION

Living Arrangement a/	1983 Population	1984 Probabilities 1990	1984 Probabilities 2010	1984 Probabilities 2030
	Number (In thousands)			
Unmarried				
Alone	8,169	8,969	11,434	18,666
With relatives	3,410	4,000	5,257	8,668
With unrelated others	479	609	843	1,658
Married				
With spouse only	11,861	14,530	19,675	34,515
With both spouse and others	2,335	2,715	3,578	5,993
Total	26,255	30,823	40,787	69,500
	Percent			
Unmarried				
Alone	31	29	28	27
With relatives	13	13	13	13
With unrelated others	2	2	2	2
Married				
With spouse only	45	47	48	50
With both spouse and others	9	9	9	9
Total	100	100	100	100

SOURCES: Projections by the Congressional Budget Office, based on population projections by the Social Security Administration, and on data from the Current Population Survey for 1967 to 1969, 1971 to 1979, and 1981 to 1984 and from 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

(Continued)

demographic change. In all of the projections, in 2030 as in 1983, approximately half the elderly would reside only with their spouses. If residence choices remained as they were in 1984, the proportion of elderly people living alone would fall slightly by 2030 (because of declines in widowhood); alternatively, it would rise by one to seven percentage points if past trends toward separate residence continued.

TABLE 18. Continued

Living Arrangement a/	1970-1984 Probabilities			1960-1984 Probabilities		
	1990	2010	2030	1990	2010	2030
	Number (In thousands)					
Unmarried						
Alone	9,431	13,471	22,362	9,534	13,966	24,268
With relatives	3,593	3,377	4,990	3,515	3,010	3,653
With unrelated others	517	478	1,079	492	346	463
Married						
With spouse only	14,756	20,850	37,576	14,897	21,455	38,999
With both spouse and others	2,525	2,612	3,494	2,385	2,011	2,117
Total	30,823	40,787	69,500	30,823	40,787	69,500
	Percent					
Unmarried						
Alone	31	33	32	31	34	35
With relatives	12	8	7	11	7	5
With unrelated others	2	1	2	2	1	1
Married						
With spouse only	48	51	54	48	53	56
With both spouse and others	8	6	5	8	5	3
Total	100	100	100	100	100	100

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in the notes to Table 1.

More striking is the change in extended family living that would result from continued movement into separate households. If the 1960-1984 trend were to continue at the same rate for the next 45 years, the proportion of the elderly living with extended family members (with relatives only or with both their spouses and others) would drop sharply, from 22 percent in 1983 to 8 percent to 9 percent in 2030. A more modest decline would result from extension of the 1970-1984 trend, but this would still nearly halve the percentage in extended family households. In contrast, if the 1984 distribution continued, there would be little change in this proportion.

Tables 19 and 20 provide a more detailed breakdown of living arrangements by showing them separately for men and women and the "young" and "old" elderly under Alternative II demographic assumptions. In some respects, the projected living arrangements for both "young old" and "old old" men are quite stable (see Table 19). Under all sets of residential probabilities, approximately 60 percent to 70 percent of men in both age groups share housing only with their spouses in 1990, 2010, and 2030. The proportion of elderly men living with unrelated persons stays between 1 percent and 4 percent in the three projection series. And regardless of whether the trends toward independent residence continue, the proportion of solitary householders remains under 20 percent for "young old" men and under 26 percent for "old old" men. By contrast, one form of extended family living--with both a spouse and others--would decline sharply among older men if past trends in residence decisions continued. Under the 1960-1984 trend, only 7 percent of elderly men under 75 and 1 percent of those 75 and older would share housing with both their spouses and others in 2030, compared to 17 percent and 8 percent, respectively, in 1983. On the other hand, if residence choices remained as they were in 1984, the drop would be no more than two percentage points.

More striking is the possible change in the living arrangements of elderly women, particularly those in the oldest age groups (see Table 20). If the move away from extended family living were to continue at the rate observed over the past quarter century, 61 percent of women age 75 and older would be living alone in 2030, compared to 48 percent in 1983. Under the same conditions, the proportion of very elderly women living with extended family members (either with relatives alone or with both their spouses and others) would fall from 27 percent

TABLE 19. PROJECTED LIVING ARRANGEMENTS OF ELDERLY MEN, BY AGE, UNDER THE ALTERNATIVE II POPULATION PROJECTION (In percent)

Living Arrangement a/	1983 Population	1984 Probabilities			1970-1984 Trend			1960-1984 Trend		
		1990	2010	2030	1990	2010	2030	1990	2010	2030
Age 65-74										
Unmarried										
Alone	13	12	13	16	12	12	14	13	14	19
With relatives	5	5	5	7	5	5	8	5	4	5
With unrelated others	2	2	2	3	2	3	4	2	2	2
Married										
With spouse only	63	64	63	59	65	66	63	66	69	67
With both spouse and others	17	17	17	15	16	14	11	15	11	7
Total	100	100	100	100	100	100	100	100	100	100
Age 75 and Older										
Unmarried										
Alone	24	20	19	19	21	23	23	21	24	25
With relatives	7	9	8	8	8	5	5	7	4	3
With unrelated others	2	3	3	3	2	1	1	2	1	1
Married										
With spouse only	58	61	62	62	62	68	70	63	69	71
With both spouse and others	8	8	8	8	7	3	2	6	3	1
Total	100	100	100	100	100	100	100	100	100	100

SOURCES: Projections by the Congressional Budget Office, based on population projections by the Social Security Administration, and on data from the Current Population Survey for 1967 to 1969, 1971 to 1979, and 1981 to 1984 and from 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in the notes to Table 1.

TABLE 20. PROJECTED LIVING ARRANGEMENTS OF ELDERLY WOMEN, BY AGE, UNDER THE ALTERNATIVE II POPULATION PROJECTION (In percent)

Living Arrangement a/	1983 Population	1984 Probabilities			1970-1984 Trend			1960-1984 Trend		
		1990	2010	2030	1990	2010	2030	1990	2010	2030
Age 65-74										
Unmarried										
Alone	35	33	32	30	34	37	37	35	37	38
With relatives	14	13	13	13	12	8	6	11	8	6
With unrelated others	1	2	2	2	1	1	1	1	1	b/
Married										
With spouse only	43	45	46	47	45	48	50	46	50	53
With both spouse and others	7	8	8	8	7	7	6	7	5	3
Total	100	100	100	100	100	100	100	100	100	100
Age 75 and Older										
Unmarried										
Alone	48	48	46	44	51	57	58	51	59	61
With relatives	24	23	24	22	21	14	10	21	13	7
With unrelated others	2	2	2	2	2	1	b/	2	b/	b/
Married										
With spouse only	22	24	25	28	25	28	32	25	27	31
With both spouse and others	3	3	3	3	2	1	b/	2	1	b/
Total	100	100	100	100	100	100	100	100	100	100

SOURCES: Projections by the Congressional Budget Office, based on population projections by the Social Security Administration, and on data from the Current Population Survey for 1967 to 1969, 1971 to 1979, and 1981 to 1984 and from 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses.

NOTE: Percentages may not sum to 100 because of rounding.

a. See definitions in the notes to Table 1.

b. Less than 0.5 percent.

TABLE 21. CHARACTERISTICS OF ELDERLY PEOPLE LIVING ALONE IN 1983 AND 2030 UNDER THE ALTERNATIVE II POPULATION PROJECTION

		2030		
	1983	1984 Probabilities a/	1970-1984 Trend b/	1960-1984 Trend c/
	Number (In thousands)			
Total	8,169	18,150	21,849	23,635
Men	1,810	4,701	4,783	5,914
Women	6,359	13,499	17,067	17,720
Age				
65-69	2,027	4,085	4,309	4,944
70-74	2,118	4,283	4,962	5,446
75-79	1,820	3,975	4,816	4,997
80 or older	2,204	5,807	7,762	8,247
Women 80 or older	1,672	4,642	6,179	6,632
	Percent			
Men	22.2	25.9	21.9	25.0
Women	77.8	74.1	78.1	75.0
Age				
65-69	24.8	22.5	19.7	20.9
70-74	25.9	23.6	22.7	23.0
75-79	22.3	21.9	22.0	21.1
80 or older	27.0	32.0	35.5	34.9
Women 80 or older	20.5	25.6	28.3	28.1

SOURCES: Congressional Budget Office estimates for 1983 based on figures from the Office of the Actuary of the Social Security Administration and the March 1983 Current Population Survey; figures for 2030 drawn from the projections of household structure by the Congressional Budget Office.

NOTE: Percentages may not sum to 100 because of rounding.

a. Number and characteristics of elderly solitary householders in 2030, projected under the assumption of constant 1984 residence choices for demographic subgroups.

b. Number and characteristics of elderly solitary householders in 2030, projected under the assumption that the shift toward independent residence will continue at the rate observed between 1970 and 1984 for demographic subgroups.

c. Number and characteristics of elderly solitary householders in 2030, projected under the assumption that the shift toward independent residence will continue at the rate observed between 1960 and 1984 for demographic subgroups.

to 7 percent. On the other hand, if future residence choices mirrored those made in 1984, the living arrangements of elderly women would change little, except for a slight increase in the proportion living with their spouses and a slight decline in the proportion living alone.

Characteristics of the Elderly Living Alone

The age and sex composition of the elderly population in specific living arrangements is also likely to change over the next 45 years. Two factors could bring this about--changes in the relative size of demographic subgroups, and differences in the rate at which age-sex groups shift their residence patterns. As Table 21 on the preceding page indicates, both the growth and aging of the elderly population and the continuation of past residence trends would increase the relative and absolute number of very old people among solitary householders by 2030. Demographic factors alone--such as the aging of large birth cohorts and increased longevity--would increase the number of people age 80 and over living alone from 2.2 million to 5.8 million, and would increase the proportion of elderly solitary householders who are in this age group from 27 percent to 32 percent, under the Alternative II population projection.16/ Continued shifts toward independent residence within age-sex groups at the rates observed since 1960 or 1970 would further inflate the share and number of single-person householders in the oldest age brackets. In all the projections, women age 80 and older, who have had especially low incomes and high disability rates, would make up a larger proportion of the elderly living alone by 2030.

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16. The effects of demographic factors alone are shown by the projections that assume constant 1984 residence choices.

CHAPTER III

THE RELATIONSHIP BETWEEN LIVING ARRANGEMENTS AND WELL-BEING

For most of the elderly who maintain their own households, separation from relatives entails little economic or physical hardship. Indeed, since by and large people 65 and over prefer to live independently, the trend away from extended family residence can, overall, be counted as improvement in the quality of life for older Americans.

For the poor and disabled, however, solitary residence may be less desirable, because the presence of other household members can substantially improve their well-being. This chapter focuses on the relationship between living arrangements and well-being for those who have low personal incomes or severe physical limitations, and discusses what further change in household structure may mean for these elderly subgroups.

LIVING ARRANGEMENTS AND ECONOMIC WELL-BEING

Material hardship among the elderly has, in recent decades, been closely associated with residence apart from a spouse or extended family members, and the economic status of future aging cohorts will depend, in part, upon their household structure.

Past Trends

As noted above, the personal incomes of the elderly have increased rapidly over the past quarter century, and many elderly have used their improved economic positions to maintain their own households. For those with low personal incomes, however, residence apart from extended family members has been associated with material hardship.

Poverty thresholds for 1979, deflated using the Consumer Price Index, were used to calculate the proportion of the elderly living in poverty in 1969 and 1959. This practice was followed to maximize comparability of the time-series data. Because the matrix used by the Census Bureau to calculate poverty rates has changed over time, poverty rates for the elderly in 1959 and 1969 given in this paper may differ slightly from those published by the Census Bureau.

Poverty rates have consistently been disproportionately high for older people living apart from their relatives, as Table 22 indicates.1/ Since the late 1970s, the poverty rate of married elderly people has been relatively low, and has not differed much between those living independently and those in extended family households.2/ In contrast, the unmarried elderly living alone have had higher poverty rates than those in extended family households.3/ In 1983, for example, 26 percent of elderly solitary householders lived in poverty, compared to

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1. Poverty status is determined by comparing the total pretax, cash income of all related people living together against a poverty threshold based on family size, number of children, and--for one- and two-person families--age of head. If family cash income is below the appropriate threshold, all family members are designated as "poor." This definition fails to take into account a number of factors that might affect an individual's well-being. First, some people receive a significant portion of their income in kind rather than in cash--medical care, housing assistance, and nutrition aid are prime examples--yet only cash income is used to assess poverty. Second, income net of taxes might be a more appropriate measure of available resources, since money going for taxes is not available to meet basic needs. Third, wealth is considered only to the extent that it produces cash income; its value as a temporary source of finances or in terms of providing income in kind--as in the case of owned housing--is ignored.

   Finally, differences in living costs are not incorporated in poverty thresholds. This means that people in high-cost areas with incomes above the poverty level are not considered to be poor, even though they may be worse off in real terms than people who are officially poor but live in areas with lower costs. While these shortcomings are widely recognized, there is only limited agreement on how they might be remedied.

2. The relatively low poverty rates of the married elderly reflect several factors, including dual incomes, a higher concentration of "young old" people still in the labor force, lower per capita poverty thresholds with increasing family size, and the higher retirement incomes of men. Women age 75 and older--a group with low personal incomes--constitute the largest share of the unmarried elderly population.

3. The poverty rates presented in Table 22 are calculated on the basis of the combined incomes of all related people in the household, according to the practice followed by the Census Bureau. This method implicitly assumes that the presence of unrelated people in the household does not contribute to economic well-being. This assumption may not be justified, because sharing expenses--such as rent and utility payments--with unrelated household members may increase discretionary income. This should be kept in mind when comparing the economic status of people who live alone to that of people living with unrelated others. Although elderly solitary householders have lower poverty rates than elderly living with unrelated people, the discretionary incomes of the former group may not, in fact, be higher.

TABLE 22. ELDERLY PEOPLE IN EACH HOUSEHOLD TYPE LIVING IN POVERTY, 1959-1983 (In percent)

Living Arrangement a/	1959	1969	1979	1983
Unmarried				
Alone	65.6	51.5	28.5	25.9
With relatives	24.6	16.4	9.4	12.2
With unrelated others	67.9	55.9	43.3	34.3
Married				
With spouse only	32.9	19.9	7.5	7.1
With both spouse and others	25.6	14.4	8.8	7.3
All Elderly	37.3	27.7	14.6	14.1
Total Number of Elderly (in millions)	15.3	18.9	23.9	26.3

SOURCES: Congressional Budget Office tabulations of the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey.

a. See definitions in Figure 1.

12 percent of those living with relatives. In that year, over half of the elderly poor were solitary householders.4/

The positive relationship between solitary residence and poverty is partially explained by two factors. First, poverty thresholds are set to reflect the economies of scale that are possible when two or more people live together. For example, the threshold for an elderly couple is substantially less than twice that for an elderly individual--$6,503 compared with $5,156 in 1985. Second, as noted above, poverty status is based on the total income of all related people living together, reflecting an implicit assumption that resources are shared among family members. To the extent that elderly people with low personal incomes live with relatives who have higher incomes, the combination

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4. The age-sex composition of older people living alone and living with relatives is similar; the additional income from coresident relatives is primarily responsible for the lower poverty rates of the latter.

of these two factors means many elderly who would be poor if living alone will not be poor when they reside with relatives.

The importance of extended family living in improving economic status is indicated by the extent to which the resources of coresident family members help lift the elderly with low personal incomes above the poverty line. Of course, the opposite is also true: in some extended-family households, the net flow of income will be in the other direction--from better-off elderly people to less-well-off nonelderly relatives. Table 23 shows the degree to which living with relatives has held down poverty among the elderly since 1959. In 1983, for example, 1.2 million elderly people, or 24 percent of those with individual or combined spousal incomes below the poverty line, were lifted out of poverty through coresidence.5/

The shift away from extended family living has exerted downward pressure on the economic well-being of the elderly, although this has been more than countered by increases in the real individual and combined spousal incomes of those age 65 and over. Between 1959 and 1979, the poverty rate of the elderly dropped nearly 23 percentage points but would have fallen by 3 percentage points more if there had been no change in their household structure. For demographic groups in which incomes tend to be low, the negative impact of shifting residence patterns was more pronounced: for example, the poverty rate for elderly women not living with a spouse would have dropped nearly 7 percentage points more if their residence choices had been static.

Elderly people with low personal incomes adopt extended family living to a far greater extent than the elderly generally. Even so, many of the elderly poor have either chosen independence or have had

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5. As noted, the proportion of people living in poverty is calculated on the basis of the combined incomes of all related members of the same household. For purposes of analysis, an alternative measure--the personal poverty rate--is also used in this paper. Personal poverty rates are based on the personal incomes of the elderly and measure the resources of people age 65 and over, rather than their actual well-being. The personally poor elderly population consists of all elderly people not living with a spouse whose individual incomes are below the poverty cutoff for elderly people living alone, and all married elderly whose combined incomes with their spouses are less than the poverty threshold for a two-person household headed by an elderly person. The personally near-poor are defined in the same way, save that their incomes fall between 100 percent and 150 percent of the poverty cutoff. Elderly people raised out of poverty by coresidence are those who are classified as poor on the basis of their personal (individual or combined spousal) incomes, but who are not classified as poor on the basis of their family incomes.

it forced upon them. In 1979, 26 percent of poor female solitary householders had borne no children; others were doubtless pushed into independent residence by their children's physical or economic inability to support them or by their relatives' unwillingness to surrender their privacy.

TABLE 23. EFFECTS OF EXTENDED FAMILY RESIDENCE ON POVERTY RATES AMONG THE ELDERLY, 1959-1983

	1959	1969	1979	1983
Percent of the Elderly Living in Poverty a/	37.3	27.7	14.6	14.1
Personal Poverty Rate of the Elderly b/	47.5	37.2	20.1	18.7
Number of Personally Poor Elderly Brought Out of Poverty by Extended Family Residence (In thousands) c/	1,567	1,792	1,310	1,186
Percent of Personally Poor Elderly Brought Out of Poverty by Extended Family Residence d/	21.5	25.5	27.3	24.2

SOURCE: Congressional Budget Office tabulations of the 1:1000 Public Use Samples of the 1960, 1970, and 1980 Censuses and the March 1984 Current Population Survey.

a. Percent of the elderly in households with family incomes below the poverty line. The method used to calculate this statistic basically follows that used by the Census Bureau to measure the official poverty rate of the elderly. Because of the use of a slightly different poverty matrix to maintain consistency across the years shown here, however, figures for the earlier years may differ slightly from those reported by the Census Bureau.

b. Percent of the elderly with individual or combined spousal incomes below the poverty line. See footnote 5 for details on the calculation of this statistic.

c. Number of elderly with individual or combined spousal incomes below the poverty line who are not classified as poor on the basis of family income.

d. Percent of the elderly with individual or combined spousal incomes below the poverty line who are not classified as poor on the basis of family income.

Some of the low-income elderly who live alone receive some support from relatives living elsewhere, but such interhousehold transfers seem not to be the norm. In 1984, among the elderly whose individual or combined spousal incomes from sources other than private contributions fell below the poverty line, 2 percent reported income from private contributions during the preceding year. Even given the underreporting of income received only irregularly, probably fewer of the elderly with low personal incomes benefit from private interhousehold transfers than the 5 percent who move out of poverty as a result of extended family living.[6]

Although coresidence is a major source of familial economic support to the low-income elderly, the extent to which the elderly in extended family households benefit from the resources of coresident relatives--or vice versa--is unknown. People who live together have the same quality of housing and can pool housing expenses; those who are related probably tend to share food and transportation as well.[7] A 1973 survey of elderly unmarried welfare recipients found that those living with others fared better than the solitary householders in terms of the proportion of their incomes spent on food and shelter, the structural quality of their housing, and their access to various appliances.[8] At the same time, the amount of supplemental income passing from one generation to the other may be quite limited and there is less privacy. Despite these qualifications, coresidence appears to aid the elderly poor by reducing their living expenses and increasing the probability that family members will provide partial

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6. Income from personal contributions reported in the Current Population Survey almost certainly understates the full extent of financial support to the elderly from relatives living apart. Such aid may be considered "help" rather than "income" by respondents, and some gifts are forgotten because they are received only occasionally. In addition, contributions made in kind are not counted as income. Because of this underreporting, and because the sample of personally poor elderly who received interhousehold transfers is small, conclusions about the importance of interhousehold transfers must be tentative.

7. According to the 1974 Harris-National Council on the Aging survey, 6 percent of elderly people who headed an extended family household reported that they paid for none of their own food, while 15 percent paid for only "some" of their food. For elderly people listed as parent or "other relative" of the household head, 19 percent paid for none of their food and 41 percent paid for only part of their food. (According to Census data, in 1980, elderly people living with relatives and no spouse were about equally divided between household heads and people listed as relatives of the householder.) Among the elderly not living with their children, 96 percent paid for all of their own food. Stephen Crystal, "Aid to the Aged: Social Structure, Public Policy, Change" (Ph.D. dissertation, Harvard University, 1981), p. 144.

8. Thomas Tissue and John L. McCoy, "Income and Living Arrangements Among Poor Aged Singles," *Social Security Bulletin*, vol. 44 (April 1981), p.7.

support, while independent residence compounds their material difficulties.

The Outlook for Living Arrangements Among the Elderly Poor

Further increases in the proportion of older people living independently would be likely to reduce the proportion of the elderly receiving financial support from others. A continued shift toward separate housing could therefore cause the poverty rate to improve less than would be suggested by increases in the real personal incomes of the elderly. A marked rise in the poverty rate of the elderly as a result of changing living arrangements is unlikely, however, because of the rising incomes of successive aging cohorts and the tendency of the elderly poor to adopt extended family living to a greater extent than do people 65 and older generally.

The number of elderly poor in coming decades will depend upon several factors, including growth in real wages, the distribution and generosity of private pension benefits, and federal income transfer programs, as well as on the size of the elderly population and their living arrangements. The doubling of the population 65 and over by 2030 will exert upward pressure on the number of elderly poor, but this is likely to be more than offset by the rising incomes of successive cohorts. The Congressional Budget Office projects that the number of aged Supplemental Security Income beneficiaries--who represent a subset of the aged poor--will fall between 1985 and 1995 if the income eligibility standard is unchanged in real terms, and will continue to decline into the next century.

The number of the elderly "poor" will also depend on whether the standard of poverty stays the same.9/ Poverty is a relative concept; 50 years ago, those with real incomes corresponding to today's poverty line would not have been considered poor. As median income rises along with real wages over the next half century, society's definition of poverty may be revised accordingly.

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9. Under current policy, the poverty threshold is revised to keep pace with inflation. Alternatively, the poverty standard could move upward in real terms, in response to improvement in the standard of living within the general population.

Finally, the number of low-income elderly who can raise their standard of living by sharing housing with their children will depend upon past fertility levels. The constraint posed by small numbers of children is likely to relax for those passing age 65 in the remainder of this century, since their childbearing years coincided with the baby boom. In contrast, small families and a higher incidence of childlessness for succeeding cohorts will probably limit support from adult children for the elderly poor after the turn of the century, although members of the baby boom may have more surviving siblings with whom they could live.10/

SOLITARY RESIDENCE AND DISABILITY

Among those who experience frailty and chronic disability in their advanced years, solitary householders are particularly likely face a gap between their need for personal assistance and the availability of accessible help. While this segment of the population is relatively small--less than 10 percent of all unmarried elderly in 1980, for example--over the next half century, population growth and aging will swell the absolute level of home care and housekeeping services they consume.

Interrelationship Between Disability and Living Alone

Although the incidence of crippling physical impairments among people 65 and older should not be exaggerated, in 1980 about 7 percent of the noninstitutionalized elderly were bedridden or needed personal help with basic activities of daily living, such as dressing, eating, and walking (the definition of disability generally used in this analysis).11/ The prevalence of serious functional disability is quite low for

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10. The elderly are currently more likely to live with their children than with relatives of their own generation. In 1980, for example, two-thirds of those living with relatives resided with adult children or nuclear families of adult children, while 16 percent lived with siblings.

11. In this chapter, the term "disabled" encompasses elderly who were bedridden or who specified that they needed help from another person to perform at least one of the following activities: walking, going outside, using the toilet, bathing, dressing, eating, or getting in or out of bed. Those who had

(Continued)

the "young old," but climbs sharply with advancing age. At the beginning of this decade, about 3 percent of noninstitutionalized men and women age 65-69 required personal assistance with activities of daily living, while 14 percent of men and 20 percent of women age 80 and older needed help.12/

Disabled elderly people living with their spouses or extended family members generally receive substantial and readily accessible help from other household members. By contrast, many disabled people who live alone receive relatively infrequent assistance. Yet solitary residence has become somewhat more prevalent among the disabled. Among the unmarried elderly barred from major activity by a chronic condition, the proportion living alone rose from 37 percent in 1969 to 43 percent in 1980.

Like the disabled elderly living with a spouse or extended family members, those who live alone draw primarily upon the assistance of friends and family members to cope with serious functional disabilities. 13/ Disabled solitary householders are, however, more likely to lack regular assistance with daily tasks. In 1980, about 11 percent of the disabled elderly who lived alone apparently lacked any regular source of assistance, while less than 3 percent of those who lived with their spouses or other relatives reported no regular help. Moreover,

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11. Continued

trouble with one of these activities but needed only mechanical help are not included, nor are those who needed help only with "instrumental activities," such as managing money or shopping. The present definition was chosen to focus on those people who would be most seriously affected by the absence of coresident helpers if aid were not forthcoming from people outside the household. Where an alternative definition of disability is used, this is specified.

12. In 1980, approximately 1.7 million functionally disabled elderly lived outside institutions. Around 1 million of these disabled elderly were unmarried, and 470 thousand lived alone.

13. These figures are based on the homecare supplement to the 1980 National Health Interview Survey. The sample analyzed was restricted as specified in footnote 11. According to this source, nearly 90 percent of elderly solitary householders who required and received help with activities of daily living were aided by family members or friends. Among the disabled elderly who lived with their spouses or with extended family members and received help, over 90 percent reported aid from related household members, and 24 to 30 percent also mentioned assistance from family members and friends living elsewhere.

Between 14 and 20 percent of the disabled elderly listed a professional health worker as a helper. Within this group, over 90 percent of those living with their spouses or other relatives were also aided by family or friends. Only about half of the solitary householders who received professional care had informal help as well, suggesting that they may live alone because they lack relatives willing or able to care for them.

disabled older people who lived alone in 1977 were two to three times more likely than those who shared housing to say that they received less help than they needed with daily activities.14/

As of 1980, those who lived alone generally did not compensate for the absence of coresident helpers by disproportionate use of professional health workers.15/ This failure to substitute formal health services for informal assistance can be partly explained by their limited incomes, since poverty rates are substantially higher for those living alone and medical costs for the chronically disabled are higher than for other people.16/ Within the population of disabled elderly living alone, people with higher incomes made somewhat more use of paid home health care: those with incomes above $6,000 in 1979 were somewhat more likely than others to have help from professional health workers, to have received nursing care in the preceding year, and to say that someone was available to help them "most of the time."

Despite the apparent disadvantages of solitary residence, a substantial proportion of the unmarried disabled elderly are found in single-person households, regardless of the operational definition of

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14. This statistic is based on the disability supplement to the 1977 National Health Interview Survey. People who needed help with some daily activity were first asked how often they needed help and then questioned about how often help was normally received. The sample is here restricted to those for whom the two responses could be compared. Twenty-four percent of solitary householders age 65-74 and 15 percent of solitary householders age 75 and older apparently received help less often than they needed help. In contrast, about 7 percent of those 65 and older living with others needed additional help.

15. For example, elderly solitary householders were no more likely than those in other living arrangements to report receiving the care of a nurse in their home in the preceding 12 months; about one-fifth of the disabled elderly in most household types had received such care. While the number of respondents currently receiving formal home care was too small to yield reliable estimates, data from the home care supplement to the 1980 National Health Interview Survey generally did not point to greater use of paid home care services by disabled solitary householders than by those living with others. Those living alone were not significantly more likely to be visited by a nurse or other health worker, and solitary householders who were receiving such care did not appear to have more frequent or lengthier visits. They were, however, more likely to be receiving delivered meals.

    Although these data do not, overall, suggest that solitary householders rely more heavily on professional care than do those living with others, it is possible that this situation has changed since liberalization of the home health care funding provisions in Medicaid in 1981.

16. This income disadvantage is partially offset by Medicaid funding of some home health care services for the elderly poor that meet both the income and asset requirements. The evidence from the 1980 National Health Interview Survey suggests that near-poor solitary householders receive less formal home care than do either the poor or the non-poor. Moreover, in recent years, Medicaid's provisions have made it easier for states to fund home health care.

disability employed (see Table 24).[17] In 1980, unmarried people age 65-74 who were disabled were almost as likely to live by themselves as were all members of this demographic subgroup. Between 54 percent and 60 percent of disabled unmarried people age 65-74 lived alone, while 66 percent of all unmarried people in this age group were solitary householders. In the oldest age groups, the benefits of personal assistance or the inability to function without help limit solitary residence to a greater extent. Even so, between 40 percent and 52 percent of unmarried disabled elderly people lived alone in 1980, compared to 61 percent of all unmarried people in the oldest age groups. It should be remembered, however, that only about 4 percent of the unmarried elderly, and 2 percent of all elderly, were solitary householders needing help with the basic activities of daily living.

Solitary Residence and the Disabled in Coming Decades

Over the next 45 years, the number of people 65 and over who need personal assistance is likely to increase substantially because of the growth and aging of the elderly population. If the rates of disability and institutionalization within age-sex groups in 1980 were to remain unchanged, the number of elderly in the community requiring personal assistance with daily activities would increase from 1.7 million in 1980 to between 4.7 and 5.9 million in 2030, depending on the rate of mortality decline.[18]

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17. The alternative criteria of disability used here are described in the footnotes to Table 24. For general discussion of various means of operationalizing the concept of disability, see Saad Z. Nagi, "The Concept and Measurement of Disability," in Edward Berkowitz, ed., *Disability Policies and Government Programs* (New York: Praeger, 1979), pp. 1-15, and Iris Posner, "Functional Capacity Limitations and Disability, 1972," Report No. 2 of the Social Security Survey of the Disabled 1972, Social Security Administration (1977).

18. The projections in this chapter relating to the disabled elderly assume constant 1980 institutionalization rates for people of each age, sex, and marital status, and constant 1980 disability rates for age-sex groups. The number of noninstitutionalized disabled elderly in 2030 was projected in three steps. First, the number of institutionalized elderly was projected by multiplying figures from the Alternative I, II, and III population projections for 2030 (created by the Social Security Administration) by the proportion of each age, sex, and marital status group that was institutionalized in 1980 (based on the 1:1000 Public Use Sample of the 1980 Census). Second, this projected number of institutionalized people was subtracted from the population figure, to yield the projected number of noninstitutionalized elderly in each demographic subgroup. Third, the number of noninstitutionalized disabled elderly was projected by multiplying these last figures by the proportion of noninstitutionalized disabled people in each age-sex group in 1980 (based on the home care supplement to the 1980 National Health Interview Survey).

TABLE 24. UNMARRIED DISABLED ELDERLY IN VARIOUS LIVING ARRANGEMENTS IN 1980, UNDER ALTERNATIVE DEFINITIONS OF DISABILITY (In percent)

Living Arrangement	All Unmarried Elderly	Unable to Perform Major Activity a/	Limited in Use of Public Transit b/	Needing Help with Activity of Daily Living c/
		Age 65-74		
Alone	66.1	60.3	59.0	54.3
With Relatives	31.3	37.0	36.1	42.9
With Unrelated Others	2.6	2.7	4.9	2.8
Total	100.0	100.0	100.0	100.0
Total (In thousands)	5,715	367	690	284
		Age 75 and Over		
Alone	61.0	51.7	49.1	39.5
With Relatives	37.0	44.0	47.3	56.0
With Unrelated Others	1.9	4.3	3.6	4.5
Total	100.0	100.0	100.0	100.0
Total (In thousands)	5,320	374	1,393	790

SOURCES: Congressional Budget Office tabulations of the 1:1000 Public Use Sample of the 1980 Census, the 1980 National Health Interview Survey, and the home care supplement to the 1980 National Health Interview Survey.

NOTE: Details may not sum to 100 because of rounding.

a. People who described themselves as unable to work at any job or to keep house because of a chronic condition.

b. People who reported a physical, mental, or other health condition that had lasted six months or more and made it difficult or impossible for them to use buses, trains, subways, or other forms of public transit.

c. People who reported the need for personal assistance with one or more activities of daily living or who described themselves as bedridden.

If residence choices remain as they were in 1980, the number of functionally disabled people 65 and older who live alone will approximately triple by 2030--increasing from 470,000 to between 1.1 million and 1.3 million.19/ If, on the other hand, the trend toward independent residence among the disabled elderly continues, the number of solitary householders needing formal home care services could be substantially higher.

It is not clear how these demographic changes will affect the well-being of the elderly. The relative disadvantage of solitary residence for the disabled may decline over the next 45 years if rising incomes enable them to purchase more home health care services.20/ But paying for sufficient home health care will still not be possible for some of them. Moreover, those who live alone are more likely to face the double disadvantage of relatively lower incomes and less informal help than those in other living arrangements.

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19. The number of disabled solitary householders in 2030 was projected by multiplying the projected number of disabled elderly of each age, sex, and marital status by the proportion of solitary householders in that group in 1980 (based on the home care supplement to the National Health Interview Survey).

20. Using data from the 1977 National Nursing Home Survey and the 1977 Health Interview Survey, William Weissart and William Scanlon found that the elderly at highest risk of institutionalization were "afflicted by personal care dependency, one or more high risk diagnoses, poverty, and lack of a spouse." When other characteristics were not controlled, unmarried elderly appeared to be seven times more likely to be in an institution than were married elderly. "Determinants of Institutionalization of the Aged," The Urban Institute, Working Paper 1466-21 (November 1982), pp. 9, 14. The fact that unmarried elderly are more likely to be institutionalized suggests that familial support available to elderly living with other relatives may also discourage entrance into a nursing home, but there is no direct evidence on this point.

CHAPTER IV

ISSUES AND POLICY APPROACHES

The next 45 years will see the elderly population more than double, and the number of elderly living independently is likely to rise even more. The incomes and wealth of these older people are expected to be higher in real terms than they are today. Some older people, however--particularly those who live alone--will be in poverty or near it.[1] Others, also primarily solitary householders, will require help with everyday tasks, help that some of them will be unable to afford in spite of what would otherwise be adequate incomes. These needy elderly will probably be predominantly single people, and--by virtue of longevity--mostly women in their advanced years.

Policies to aid the elderly who live alone and who are poor or in need of regular services could benefit a group who have not fully enjoyed the economic gains of most older Americans. Such policies might also delay the time when these people can no longer live alone and must be institutionalized. This in turn could reduce government expenditures for long-term care, since nearly half of all nursing home costs are currently paid by Medicaid.

EXISTING PROGRAMS TO AID THE ELDERLY

Numerous federal programs are already directed toward the elderly. Some--including Social Security and Medicare--aid the elderly population as a whole, without regard to income or living arrangements. Others--such as Supplemental Security Income (SSI), Medicaid, food stamps, and housing programs--provide benefits for the elderly with low incomes. Still others--including the Older Americans Act and the

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[1] Forecasting the incidence of poverty or near poverty in the future is extremely difficult, even under the assumption that the poverty thresholds will continue to be raised just enough to account for inflation, regardless of the extent that average income grows in real terms over the next 45 years. While rising real Social Security payments will keep most recipients' incomes above such poverty thresholds, some adults will not work (or will be unable to work) enough to qualify for benefits in their own right and will also not be eligible for survivors' benefits.

Social Services Block Grant--focus assistance on those elderly with special needs in particular areas such as transportation or meal preparation.2/

Most federal spending on the elderly is through programs that are not based on need. The largest such program is Social Security, which in fiscal year 1985 distributed about $140 billion to the elderly. As of 1984, about 93 percent of all elderly people, or their spouses, received Social Security benefits; the median benefit per capita for those receiving them was approximately $4,600 during the year. Medicare--a companion program to Social Security--helps finance health care for nearly all Americans aged 65 and older. In fiscal year 1985, Medicare outlays benefiting the elderly totaled an estimated $58 billion, net of premiums required of people enrolled in the Supplementary Medical Insurance (SMI) component of Medicare, which helps pay for services provided by physicians and other health care professionals. Expenditures for both programs are expected to grow rapidly over the next half century, partly from growth in the size of the elderly population and partly from higher cash benefits and health care costs. Between now and 2030, federal outlays for Social Security and for the Hospital Insurance (HI) component of Medicare are projected to rise from about 6 percent to 9 percent of gross national product under "intermediate" economic and demographic assumptions.3/

Most other entitlement programs that assist the elderly have eligibility criteria based on income and assets. SSI provides cash transfers to people age 65 and over whose incomes and assets are below specified limits, and also qualifies recipients for Medicaid, which pays for most health care costs not covered by Medicare. (In addition, some low-income elderly people who do not qualify for SSI receive Medicaid benefits because they satisfy somewhat less restrictive eligibility criteria established by state governments.) As of fiscal year 1985, federal outlays benefiting the elderly totaled about $4 billion

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2. The information presented in this section is drawn primarily from a statement by Rudolph G. Penner, Director, Congressional Budget Office before the Subcommittee on Economic Resources, Competitiveness, and Security Economics of the Joint Economic Committee (July 31, 1986).

3. Estimates are derived from the Alternative II-B projections prepared by the U.S. Department of Health and Human Services. See Harry C. Ballantyne, "Long-Range Estimates of Social Security Trust Fund Operations in Dollars," Actuarial Note 127, Social Security Administration (April 1986). No comparable estimates are available for SMI expenditures; they are currently about 0.5 percent of GNP, but are growing more rapidly than HI spending.

under the SSI program and $8 billion under Medicaid, assisting more than 2 million older Americans. Another entitlement program--food stamps--provided about $1 billion of assistance to 1.8 million elderly in 1985. Because the real incomes of older people will probably be higher in the future and because the eligibility criteria for assets are fixed in dollar terms, while those for income rise only to reflect inflation, expenditures for these programs seem likely to grow slowly and may fall.

Several appropriated programs also assist the elderly. Various housing assistance programs--Section 8, Section 202, and public housing--aid more than 1.5 million elderly households who rent. The Low Income Home Energy Assistance Program helps pay the energy bills of the elderly and others in or near poverty. Federal outlays for benefits given to the elderly through these programs totaled about $5 billion in 1985. Future funding will depend on Congressional action.

Other appropriated programs provide a range of services, primarily on the basis of special needs. The Older Americans Act finances various social and nutrition services; program funding totaled about $1 billion in 1985. Assistance is also given through the Social Services Block Grant and the Community Services Block Grant, but because these programs serve many groups, amounts spent on the elderly are difficult to determine. The number of elderly people eligible for assistance under these appropriated programs may increase over time, but funding for them is subject to annual Congressional decisions.

This chapter addresses some of the issues concerning the provision of aid to the elderly who live independently, and discusses several policy options. The discussion is designed to indicate basic approaches rather than suggest specific actions. While some of the approaches could incur significant federal costs, many would reallocate current spending or would rely primarily on private resources.

POLICY ISSUES

Three issues are relevant to the question of whether public policies ought to be directed toward helping the elderly who live alone, and if so, what those policies should be:

- Should government policy take account of living arrangements that are, for most people, determined by their own free choice?
- Who among the elderly ought to be helped?
- How might policies be designed so as not to cause changes in behavior that would increase costs without helping those whom the policies are intended to benefit?

The Role of Government

The first question is whether the government should be specifically concerned with helping the elderly who live alone. For most people, independent living is a choice based on the desire for privacy and freedom in daily activities. For this majority, there would seem to be little need for government intervention.[4]

A significant number of the elderly, on the other hand, live alone because there is no viable alternative. They have no close relatives (or at least none willing or able to take care of them) and might be hard pressed to find nonrelatives with whom they could share a home.[5] To the extent that they do not have the resources they need to live reasonably well on their own, they might benefit from government intervention, either through income support or through policies designed to encourage particular kinds of behavior.

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[4] Exceptions would include those who "choose" to live alone because the available alternatives are so unattractive that they elect independent living in spite of the difficulties it brings.

[5] Even if they could find others with whom to live, they would not necessarily be better off. The potential gains come from sharing costs and resources and from receiving assistance with daily tasks. In some situations, living with others might not yield such gains.

Who Should Be Helped?

A second issue is whom the government should seek to help. This matters in terms of limiting costs, minimizing unintended effects on behavior, and ensuring that benefits go to those for whom they are intended. One approach would be to offer assistance--either income support or services to help with daily living tasks--to elderly people whose resources are not adequate to meet their needs. Questions would still arise, however, in specifying what the threshold for "need" should be; how different living arrangements affect resource requirements; what resources should be considered in determining financial need; and whether services should be provided to those who could live with others but who instead choose to live alone.

Defining Need. One approach to defining "need" would be to compare people's resources with the official Census poverty thresholds or some multiple of them. The thresholds are updated annually for inflation and are structured to take account of different requirements for different household sizes.6/ They do not, however, recognize special needs such as those for medical care or home care services.

An alternative might be to adjust resource limits for assistance eligibility to allow for special needs. For example, elderly people with high medical expenses might have their income thresholds increased above those for healthy persons by some portion of their medical expenditures, or equivalently, their income might be reduced in a similar manner leaving the thresholds unchanged.7/ Another method would be to set different income limits for broad categorical groups--such as those with ambulatory problems or those with special housing needs.

The Effect of Living Arrangements on Resource Requirements. To a great extent, people's resource needs are defined by their living arrangements. Living costs per person are lower for those who live

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6. As noted earlier, the threshold for a single elderly person in 1985 was $5,156, while that for two older people living together was $6,503. Note that the thresholds allow less income per person as household size increases: the two-person threshold is 37 percent less per capita than that for one person.

7. The latter approach is roughly what is done in some states in defining eligibility for Medicaid for the "medically needy."

with others than for those who live alone, since solitary householders give up possible economies of scale in obtaining shelter, preparing food, or using utilities. The elderly who choose to live independently--when they could live with others--are thus increasing the amount of income and other resources that they must have to maintain a given standard of living. It is not clear that the government should provide income support for those whose poverty is, in this sense, voluntary. On the other hand, it is also not clear that government policies should require people to choose between living with others or being poor, and it might be difficult from a practical perspective to determine whether they had relatives or others with whom they would be able to live.

Resources to Consider in Determining Financial Need. In addition to cash benefits, like Social Security and SSI, many low-income elderly receive food stamps, medical assistance, and subsidized housing. Ignoring these in-kind benefits would misstate the cash income needs of recipients, because the in-kind assistance reduces the amount of cash they require to meet acceptable consumption levels. On the other hand, if in-kind benefits were to be counted as income, they would have to be assigned a cash value. One approach would be to use the full market value of in-kind income received; this could overstate its value to recipients, however, in terms of the amount of cash that would be freed up for other purposes. For example, Medicare's paying for part of a beneficiary's medical care enables the beneficiary to spend more on food, housing, or other needs only to the extent that it replaces cash income that would have been spent on medical care. Many low-income elderly would not have been able to spend the actuarial value of Medicare's benefits out of their own income, however, so the in-kind aid would not free up this amount for other purposes. Other valuation methods could be devised to alleviate these shortcomings, but they, too, have limitations.8/

A similar issue arises with respect to assets. Wealth, except to the extent that it produces income, is considered only in part in deter-

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8. See U.S. Department of Commerce, Bureau of the Census, *Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Effect on Poverty*, Technical Paper 50 (March 1982), for some approaches that might be used.

mining eligibility for assistance programs.9/ While this might make little difference for most people, it could have a major effect on the measured well-being of the elderly, for whom wealth can be much more important than income. Omitting wealth, or some types of wealth, in assessing the financial condition of the elderly might thus overstate their need for assistance, and could provide aid to some who have significant total resources.10/ This is particularly true if one believes that the elderly ought to use some of their assets to provide for current consumption.

Other Aspects of Need to Consider When Providing Services. Slightly different issues arise when considering who ought to be given assistance in the form of daily living services. For example, should the government subsidize services for those who could live with others but instead choose to live alone? If not, then the difficult problem must be faced of determining who are in such a situation. Further, if the options confronting an elderly person are either living with relatives in a difficult situation, living alone and relying on subsidized services, or going into an institution, then foreclosing the choice to live alone might drive such people into nursing homes and thus defeat the attempt to save funds by delaying institutionalization.

A related issue involves deciding which of the elderly do not have enough resources to obtain needed services in private markets, and how much to subsidize services for them. The financial needs of the elderly with disabilities are likely to be greater than those of others, and this might dictate eligibility thresholds different from those used for income support programs.11/ The amount of subsidy would then be a function both of income and of the degree to which services were needed: those with lower incomes or more significant disabilities would be given more aid. Determining the degree of disability in order

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9. In both SSI and food stamps, for example, only liquid and some property assets are considered in determining eligibility. Owner-occupied homes, some automobiles, and most personal property are ignored, even though they may have substantial value, especially in the case of housing.

10. It can be argued that most assets are income-producing and are, therefore, counted indirectly in determining financial status. This may be true, but for many, the home in which they live is their largest single asset and does not contribute to their cash income.

11. Disabilities in this context are conditions that prevent people from doing the tasks required to live independently, such as cooking, shopping, and cleaning.

to assign a level of assistance would, however, be difficult and administratively complex.

Behavioral Effects

Public policies aimed at improving the well-being of the elderly may induce behavioral changes. For example, giving additional assistance to ease the difficulties of living alone might induce more people to opt for that living arrangement.

Assistance programs might also substitute in some cases for services and financial aid that are now provided through private sources or through the elderly's use of their own savings. To the extent that this happened, the government would incur costs without increasing the amount of services received by the elderly. For example, some older people who live alone may have children who prepare some of their meals. If the government expanded the subsidized meal delivery program for the elderly, a portion of these people might receive the subsidized meals, raising government costs without necessarily their well-being.12/ In other cases, the government might merely assume some or all of the costs now financed by the elderly themselves or by others on their behalf. While some argue on grounds of equity that assistance ought to go to all whose circumstances warrant aid--even if they now manage to obtain needed services on their own--others assert that substitution of services should be avoided because of the cost.

POLICY APPROACHES

Actions to assist the elderly living independently can be grouped under two basic approaches: expanding sources of income and providing more services. The first approach would increase the incomes of the poor and near-poor, either through direct government transfers or through other policies--such as strengthening pension rights for work-

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12. In fact, some who had less contact with their children might be made worse off by this change.

ers and helping older homeowners gain access to the equity they have built up in their homes.

The second approach would focus on providing home care services. Four specific alternatives are discussed: a self-financing insurance program, government subsidization of publicly or privately supplied services, programs encouraging assistance from relatives of the elderly, or redirection of housing programs to fit more closely the needs of the elderly who live alone.

In working out any policy, consideration should be given to the issues discussed above of who should be helped, how the policy design might influence people's behavior, and the cost to the federal government. In essence, these are questions of targeting--that is, of ensuring that assistance goes to those for whom it was intended. Thus, for example, unless policymakers want to aid the elderly who now purchase homemaking services on their own, care should be taken to minimize the degree of substitution of public for private services. Similarly, if the intent is to help primarily those who are now living alone, policies should be structured so that the elderly who currently live with others would not be encouraged to move into their own households. These issues span all of the policy approaches to some extent, and should be kept in mind when considering specific options.

Income Support Policies

The needy elderly who live independently could benefit from direct government transfers or from changes in policies that would expand the use of private resources.

Increase Direct Government Transfers. The government could use direct transfer programs to increase the incomes of the elderly who are poor or near-poor. Assistance could be either cash or in-kind, depending on the policy intent. Giving cash would allow the recipients to decide how to use the money. In-kind aid, on the other hand, would provide them with particular goods or services--such as housing, food, or medical care--thereby either increasing their consumption of those specific goods or freeing cash to purchase other goods. Cash transfers would be easier to administer and could be of greater value to recipients, because they would not constrain choices. In contrast, in-kind programs would help ensure that the elderly used the assistance as policymakers intended.

Assistance could be given to the elderly living alone either through existing programs or through new ones. Cash income could be raised through SSI by increasing benefit levels or expanding program eligibility. The assistance could be given to all SSI beneficiaries or targeted to those maintaining their own households or to those living independently who cannot handle daily chores themselves. In-kind aid could be channeled through food stamps, Medicaid, or housing and energy assistance programs.

Alternatively, a new program might be established to focus on the specific needs of the elderly who live independently. That program could be limited to cash or to in-kind aid, or could offer both types of benefits, perhaps in combinations designed to meet the needs of specific groups of individuals.

The use of existing programs might be less costly because administrative mechanisms are already in place, but it might complicate procedures by treating some elderly people in a different way than other program beneficiaries. Setting up a new program would reduce such complications, but might duplicate administrative structures and hence entail higher costs.

Costs could be held down if benefits--or benefit increases--were limited to those living alone. This might cause some elderly who now live with others to choose to live on their own, which would be more costly but not as costly as if benefits were given without regard to living arrangements. Regardless of how benefits were allocated, costs would likely fall over time because the incomes of the elderly are projected to grow in real terms and the number of low-income elderly to decline, as shown in Chapter II. They would, however, remain higher than if current policies were followed.

Improve the Private Retirement Incomes of the Elderly. Rather than using public funds to raise the resources of the elderly, the Congress could adopt policies to improve private incomes. Such policies would rely on the private sector to ensure their success, although some would entail lower federal tax revenues. Two examples examined here are expanding the pension rights of workers and facilitating the liquidation of housing assets.[13]

The Retirement Equity Act of 1984 (P.L. 98-397) has already made several changes in pension rules that may increase the proportion of elderly solitary householders who will receive pensions in the future. Some provisions of the act--such as reducing the minimum age of pension coverage for workers, and modifying allowable pension rules relating to breaks in service--increase the likelihood that future retirees, especially women, will qualify for private pensions. Other provisions--such as reinforcing joint-and-survivor payout as the usual form of pension payment and requiring plans to provide preretirement survivors' annuities--make it more likely that survivors of former workers will receive a share of pension benefits. These changes should particularly assist elderly widows who comprise a substantial share of the elderly poor living alone.

In addition, more workers would be covered by private pensions if firms with at least a given number of employees were required to offer a minimum level of pension coverage for all workers satisfying age and job tenure criteria. In 1985, only 43 percent of all civilian employees were covered by employer or union pension plans; currently only about one-third are entitled to receive future benefits.[14] Mandating pensions would increase the incomes of elderly people in retirement, although the effect on lifetime compensation would likely be much smaller, because over time employers could substitute pension contributions for wages or other fringe benefits. In addition, to the extent that total compensation was increased, the number of available jobs might fall because employers' labor costs would rise. Any increase in employers' costs for fringe benefits also would lower federal revenues because these costs are tax deductible for employers and are excludable from taxable income for employees. Even if total labor compensation did not rise, federal tax revenues probably would decline in the short term if workers adjusted their overall saving behavior to substitute tax-free pension savings for other forms of savings that would have generated taxable income. This revenue loss would be at least partially offset in the future, however, because these pension distributions would be taxable.

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[13] It is difficult to estimate the degree to which these options would be targeted on the elderly who might be living alone in their old age.

[14] Bureau of the Census, *Characteristics of Households and Persons Receiving Selected Noncash Benefits: 1985*, Current Population Reports, Series P-60, no. 155, January 1987, pp. 16, 53. More will become entitled to pensions as they continue to participate and meet vesting requirements. For example, one study estimated that 82 percent of married couples and 58 percent of unmarried people will receive some pension benefits by the year 2007.

Another approach that could aid some workers who often change jobs would be to shorten the length of time an employee must participate in a pension plan to become entitled to retirement benefits--that is, to become vested. This could be done either separately or in combination with the first approach. Under current law, beginning in 1989, workers may have to be in a given plan for up to five years before being vested. Shortening that period would provide pensions to more retirees than before, but workers who now qualify might find their benefits reduced, while firms could also experience higher costs with the possible consequences described above. Government revenues, again, would likely fall, at least in the short run.

An approach which differs greatly from that of expanding pension rights entails facilitating the liquidation of housing assets. Many elderly people would have higher retirement incomes if they could spend the equity they have in their homes rather than leaving it as part of their estates. In 1983, nearly 60 percent of the 17.8 million elderly households owned their homes; about five out of six of these homes were mortgage free. Many of those people do not want to move, and thus find it difficult to take advantage of the equity that, for many, represents the bulk of their assets.

The government could facilitate the use of such equity by encouraging financial arrangements such as reverse annuity mortgages. These could be structured in a wide variety of forms. For example, such mortgages could give homeowners lifetime annuities in exchange for ownership of their homes after their deaths. To allay concerns about annuitants living so long that total payments would exceed the housing equity, the government could help to set up insurance programs to pool risks. To make certain that the properties were well maintained, escrow accounts could be established. It might be difficult, however, to determine how much maintenance was appropriate.

Because it would be of value only to homeowners, the policy would be targeted on those living independently. But it would primarily help those who were better off, since they would be most likely to have substantial equity in their homes. The poorest among older people would be unlikely to benefit, since few of them own their homes.

Policies to Generate More Home Care Services

Elderly people who live alone may face hardship when infirmities leave them unable to perform tasks needed for daily living. Those with large enough incomes can purchase services to meet their needs, but others must choose among giving up their independence to live with others, moving into a long-term care facility, or doing without needed services. Such difficult choices might be avoided through programs designed to expand the availability or reduce the cost of services. This might be done by providing some form of home care insurance, subsidizing the cost of services, giving incentives for families to aid their elderly relatives, or redirecting housing programs to meet the needs of the elderly.

Establish Home Care Insurance. The government could enable more of the elderly to obtain needed home care services by establishing a home care insurance fund that would guarantee all necessary care when infirmities leave elderly people no longer able to care fully for themselves, but still capable of living alone with help. Such a fund could be created as a new part of the Medicare program, with premiums paid by Social Security beneficiaries as is now done for the physician portion. This would protect the elderly against the high costs of home care and allow them to extend their periods of independent living. The fund could be self-financing with the elderly paying the full costs, or the government could subsidize it, for example, by reducing premiums below average cost for those with low incomes. Requiring everyone to participate would avoid problems of adverse selection--that is, a tendency for those most likely to need services to enroll--but would impose additional costs on those who would prefer to make other arrangements for their home care. A screening process would have to be set up to determine that recipients actually needed particular benefits. Moreover, if the government subsidized the program, costs to taxpayers would rise.

Subsidize the Provision of Home Care Services. Another approach to assuring that the elderly living alone receive needed home care services would be to subsidize the purchase of such services. Either the government could provide services directly--perhaps with a sliding scale of charges--or it could issue vouchers with which to obtain private care. The amount of subsidy would depend on how much assistance recipients required and on their incomes. Direct provision by the government would save the elderly having to find providers, but it might limit their choices and would not necessarily be as efficient as using private suppliers. Vouchers would encourage competition among suppliers, but in some remote areas private suppliers might not be available. Recipients of vouchers might also encounter problems in quality of care, and minimum standards might be difficult to enforce.

At least part of the government subsidy might be recouped if the costs of services provided to older people were charged to their estates. This would reduce the burden on taxpayers without requiring recipients to spend all their resources before being given aid. Surviving spouses could be protected by having the costs of services collected from the estate only after both spouses had died. This approach would create incentives for the elderly to transfer assets to their heirs before death in order to protect their estates from assessments, however, limited primarily by the fact that the elderly would lose control of their assets if they transferred them to others.

Encourage Families to Assist Elderly Relatives. Another source of home care for the elderly is relatives (or nonrelatives) living nearby. These people could be encouraged to give more assistance, either through the tax system or through direct payments.[15]

The first approach would give tax deductions or credits to taxpayers who provided services to the elderly. Making tax credits refundable--that is, allowing the taxpayer to take unused credits in the form of cash--would extend the benefits to all households, regardless of their incomes. The major drawback to such a policy is its potential cost: because credits or deductions would be given to those already providing care, revenue losses could be great, even if there were little or no additional help given to the elderly. The government would also have to determine the amount of the credit or deduction, and ensure that the services had in fact been provided.16/

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[15] Policies could encourage people to provide assistance to all disabled elderly or could target specific subgroups such as those living alone, those with low incomes, or those without spouses who could help with daily tasks. As with other policies, trade-offs would exist among increased assistance, unwanted behavioral effects, questions of fairness, and program costs.

Alternatively, the government could offer direct payments to people who helped the elderly, the size of the payments being determined by how much assistance was given and by the financial status of the elderly recipient. While this might be enough to induce people to help their elderly relatives, it might not suffice for nonrelatives. If so, recipients would be expected to pay the difference between the government contribution and the full cost. This approach, like the first, would encounter the problems of measurement and monitoring, and would probably incur large federal costs for payments made to those already giving free care.

Redirect Housing Programs to Meet Needs of the Dependent Elderly. The elderly could be provided with a wide variety of possible living arrangements in congregate housing developments, ranging from fully equipped townhouses or apartments to kitchenless units with meals taken in a central dining room or to custodial long-term care facilities. The purpose would be to allow the elderly to maintain as much independence as possible for as long as possible. The government could redirect funds to congregate housing developments from current programs that build more traditional types of housing, thereby avoiding an increase in federal spending. Alternatively, it could facilitate private developments by encouraging local governments to relax regulations such as single-family zoning that might impede the construction of congregate units, or by providing subsidies to private firms that promised to charge below-market rents to low-income, elderly people.

In addition to extending the period during which the elderly could live independently, this approach might also reduce the use--and costs--of long-term care. One possible obstacle, though, is that local housing regulations might not be readily affected by federal action. Further, redirecting federal funds now going for more traditional

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16. To avoid the problem of valuing services, tax deductions or credits might be limited to expenses incurred in giving aid. Allowing this preference only if spending exceeded some minimum fraction of income--like current deductions for medical expenses or casualty losses--would significantly reduce revenue losses, but would also restrict the impact of the option. Further, this would be of little value to low-income providers who can offer much in the way of services but cannot afford to incur expenses.

housing would reduce the amount of subsidized units available to other groups, including the elderly who are able to live independently.

APPENDIXES

APPENDIX A

METHODS OF EXTRAPOLATING TRENDS IN RESIDENCE DECISIONS

The technique used in this study to estimate future probabilities of adopting various living arrangements on the basis of past trends is much the same as that used by the Census Bureau to project the number and types of households and families. The methods described below were used in two of the projection series--the 1970-1984 trend projections and 1960-1984 trend projections of the living arrangements of the elderly. For the third projection series, the age-sex-marital status-specific probabilities of adopting each residence type observed in March 1984 were held constant.1/

The steps taken to extrapolate past trends in residence decisions were as follows:

Step 1: Proportions of elderly people of each age, sex, and marital status in each residence type were calculated from Current Population Survey (CPS) data for March of every year in the period 1967-1969, 1971-1979, and 1981-1984. For the years 1960, 1970, and 1980, the same tabulations were done using the 1:1000 Public Use Sample tapes of the decennial Censuses.2/

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1. The Census Bureau's projection methods are outlined in Current Population Reports, Series P-25, no. 805, *Projections of the Number of Households and Families: 1979 to 1995* (May 1979).

   While the methodology for extrapolating past trends in residence choices was borrowed from the Census Bureau, there are substantive differences between the projections of living arrangements of elderly people offered in this work and the projections of households and families published by the Bureau. The most important substantive difference--the unit of analysis--and more minor technical differences between the two sets of projections are discussed in Appendix B.

2. When data from different sources are used to establish a single trend, fluctuations may appear in the time series which reflect systematic differences in coverage rather than any real underlying change. As noted, projections of future living arrangements appearing in this paper were based on CPS data for all years except 1960, 1970, and 1980, when Public Use Samples of the decennial Censuses were used instead. To test whether the CPS and the Census would yield significantly different results, the living arrangements of the married and unmarried elderly were calculated for each age-sex group using both sources for 1970 and 1980. The Census data tended to yield slightly higher estimates of the proportion of elderly in each demographic subgroup living independently, but figures from the two sources were generally quite similar (with the difference being less than 3.5 percentage points for three-fourths of the estimates).

Step 2: The proportion of elderly people of each age-sex-marital status adopting a given living arrangement in the year 2030 was estimated using an ordinary least squares regression model. The dependent variable was the logarithm of the proportion of people in a demographic subgroup adopting a particular living arrangement, based on data from the CPS and Public Use Samples (as in Step 1), and the independent variable was time.

For those residence types that were becoming relatively less widespread (residence with relatives, with a spouse and others, or with unrelated persons), the regression model used was equivalent to fitting a straight line to the logarithms of the proportions in each residence type. More specifically, the model took the form

$$\log_e (x_t) = a + bt$$

where:

x equals the proportion of persons of a given age, sex, and marital status in a specific living arrangement, and

t equals the year.

For those residence types that were becoming more predominant (residence alone or with a spouse only), an alternative model was used, to help insure that the projected proportion fell between 0 and 1. This second model was equivalent to fitting a straight line to the logarithms of the complements of the proportions in a given household type. More precisely, the second model took the form

$$\log_e (1-x_t) = a + bt.$$

For people of a given age, sex, and marital status, the sum of the probabilities of adopting each specific living arrangement should equal 1.0. Thus, if 50 percent of widowed women age 70-74 live alone, and if 40 percent live with their relatives, then the share of widows age 70-74 living with unrelated persons should necessarily be 10 percent. Estimating that more than 10 percent of widows age 70-74 live with unrelated persons would artificially inflate the population; estimating that less than 10 percent live with nonrelatives would leave the household structure of some of these elderly women undetermined. To avoid such errors, the predicted probabilities were proportionately inflated or deflated to ensure that the probabilities used to project living arrangements summed to 1.0.

Among married people, three residence types--residence alone, with relatives and no spouse, and with unrelated persons--are so rare that the data from the Current Population Surveys and the Public Use Samples showed extreme fluctuations resulting from sampling variability. To improve the accuracy of the estimates, data on these three categories were combined for the regression runs. The regression model thus provided estimates of the share of married elderly people of each age and sex who would not reside with their spouses or with their spouses and others. The relative frequency of residence alone, with relatives, and with unrelated persons for married people in this "other" category was assumed to remain approximately the same as was observed for the period 1982-1984.3/

Step 3: The results of the regression model were used only to estimate the proportion of elderly persons of a given age, sex, and marital status in a specific living arrangement in the year 2030. Probabilities for intervening years--between 1984 and 2030--were determined by linear interpolation of the logarithms of the values for 1984 and 2030.4/ The formula used for the interpolations was

$$\log x_{1984+i} = \log x_{1984} + \frac{i}{46} * (\log x_{2030} - \log x_{1984})$$

where:

i equals 1, 2, ..., 46 (the difference between 1984 and year t).

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3. Seventy-five percent of married women not living with their spouses or with their spouses and others were assumed to live alone; 20 percent were assumed to live with relatives; and 5 percent were predicted to live with unrelated persons. The corresponding figures for married men in this "other" category were 80 percent, 15 percent, and 5 percent, respectively. People who were separated but not divorced were classified as married, to maintain consistency with the population projections.

4. The projected number of elderly in each living arrangement in 1990, 2010, and 2030 was calculated by multiplying the number of people of a particular age, sex, and marital status in the Social Security Administration's Alternative I, II, and III population projections by the corresponding probabilities of adopting each residence type produced by the regression model. For a summary of the demographic assumptions incorporated in the Social Security Administration's population projections, see Chapter II.

While these three steps were followed to predict future residence decisions for both the 1960-1984 trend projection series and the 1970-1984 trend projection series, the two sets of projections differ in terms of the input data used in the regression runs. For the former series, data on the proportion of elderly persons found in each household type between 1960 and 1984 were used to extrapolate residential probabilities. For the latter series, the input data from Current Population Surveys and Public Use Samples of the Census covered only the period between 1970 and 1984.

APPENDIX B

DIFFERENCES BETWEEN THE PROJECTIONS OF THE LIVING ARRANGEMENTS OF ELDERLY INDIVIDUALS AND THE CENSUS BUREAU'S PROJECTIONS OF HOUSEHOLDS AND FAMILIES

While the method used in this study to extrapolate trends in residence choices copies a technique developed by the Census Bureau to estimate the future number of households and families, there are substantive differences between these projections and those published by the Census Bureau. Specifically, the methods of aggregation and the classification of household types in the two sets of projections differ. These differences derive from the use of individual-level measurement in the present study as against household- and family-level measurement by the Census Bureau.1/

The projections of household structure included in Chapter II center on the living arrangements adopted by individuals. Household types are defined from the perspective of each person age 65 and older, regardless of his or her position in the family. Summary statistics indicate the number of elderly persons living alone or with others who have a given relationship to them. By contrast, the Census Bureau's projections deal with aggregates of individuals--that is, with households and families. Accordingly, its projections highlight the characteristics and relationships of the subset of the population that heads households and families. The Census Bureau's aggregate statistics in-

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1. There are other substantive and methodological distinctions between these two sets of projections that will not be discussed in detail here. Besides differences in the unit of analysis, the primary substantive dissimilarities lie in the population and the time period covered. The Census Bureau's household and family projections incorporate people of all ages, while the projections in this report include only people age 65 and older. The Census Bureau's projections have tended to cover a time period of under 20 years, while the projections included here are carried 45 years into the future.

   The methodological differences can be briefly summarized. First, there are differences in the base period chosen for extrapolating past trends in residence choices. Second, the Census Bureau's historical data on the household structure of the non-institutionalized population are drawn exclusively from Current Population Surveys, while the projections presented here also use data from the Public Use Samples of the 1960, 1970, and 1980 Censuses. Third, the Census Bureau's household projections build upon the Bureau's own population forecasts, while this report uses the population projections published by the Social Security Administration. Finally, the Census Bureau estimates its marital status distribution by projecting long-term trends in the proportions of persons single, ever-married with spouse present, and ever-married without spouse present. The projections published here use population estimates assuming constant age-sex-marital status-specific marriage and divorce rates, based on the average for 1979 and 1981.

dicate not how many people adopt a given living arrangement, but how many housing units contain families or nonfamily units of a given type.

A simple example will illustrate these distinctions. It is based on a household consisting of a middle-aged male householder, his young wife, his two elderly parents, and his elderly aunt. Under the classification rules adopted in this study, the household would be counted three times. Within this one family, there are two elderly persons living with their spouses and others, and one elderly person living with relatives only. By contrast, the Census Bureau's classification system would count the inhabitants once--as a husband-wife family with a middle-aged householder--with no indication of the relationships, characteristics, number, or presence of elderly persons.2/

Which unit of analysis is preferable depends upon the type of information sought and the subject under study. For example, someone planning housing construction might wish to consider shifts in the number of families and households, since housing units are frequently rented or purchased for the common use of several related persons. In other cases, projections of the living arrangements of individuals may be more relevant. For example, planning social services for disabled elderly people may require estimates of the living arrangements of all such individuals. Indeed, in the second case, focusing only on elderly people heading households or listed as unrelated individuals would bias the analysis. Not only do many elderly people not head households, but also those who do head them are less likely to be disabled than are the elderly generally.

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2. This limitation derives not from the specific classificatory system used by the Census Bureau, but rather from household-level measurement in itself. All households except solitary households contain groups of persons who are likely to differ in their economic and demographic characteristics. The characteristics of one reference person, usually the household head, must be used for classification. The characteristics of other household members, who may differ markedly from the head, are then subsumed, and these other household members become, in a sense, invisible. For further discussion of this point, see Steven Ruggles, *Prolonged Connections: Demographic Change and the Rise of the Extended Family* (Ph.D. dissertation, University of Pennsylvania, 1984), pp. 297-318.

   The Census Bureau's household projections indicate: the number of elderly householders living with their spouses, the number of elderly female householders living with relatives but no spouse, and the combined number of elderly persons heading solitary households and households with unrelated occupants. Elderly people in households headed by others cannot be identified, and their residence patterns can only be estimated--for example, by assuming that the spouses of elderly householders are themselves age 65 or older.

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